

Montenegro Country Commercial Guide

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Doing Business in Montenegro

Market Overview

- Since regaining independence in 2006, Montenegro has adopted an investment framework to encourage growth, employment, and exports. Although the continuing transition has not eliminated all structural barriers, the government recognizes the need to remove impediments, ensure business-friendly policies and improve transparency, and open the economy to foreign investors.
- Montenegro makes no distinction between domestic and foreign companies. Foreign companies can own 100 percent of a domestic company, and profits and dividends can be repatriated without limitations or restrictions. Exceptions to this policy are the small number of cases dealing with defense-related industries.
- The invitation to join NATO is the most important event for Montenegro since independence, and is a tangible recognition of the country's efforts to become integrated into Euro-Atlantic and European institutions. Montenegro formally gained EU candidate country status at the European Council Summit in 2010 and officially opened accession negotiations with the EU in 2012. The country has opened 22 of its 35 total EU *acquis* chapters and provisionally closed two of them.
- Montenegro became the 156th member of World Trade Organization (WTO) in 2011.
- Montenegro offers foreign investors low, fixed tax rates, a business-oriented economy, significant economic freedom, a stable currency (Euro), and openness to incentivized tax structures. Montenegro is a beneficiary of the Generalized System of Preferences program, which provides duty-free access to the U.S. market in various eligible categories. The Euro is the official currency in Montenegro, which stabilizes financial flows and results in lower transaction costs. This is an informal arrangement with the European Central Bank, and Montenegro is not part of the Euro Zone. Private ownership is protected by the Constitution and includes equal treatment of foreigners. The overall macroeconomic picture is stable; however, the IMF has cautioned Montenegro that its economic system is vulnerable to external shocks due to its high public debt-to-GDP ratio. Montenegro struggles with corruption across its economic sector. While the government pledges to do so, it has yet to tackle a significant political corruption case. Montenegro's public financial situation is relatively weak, with a debt-to-GDP ratio of close to 60 percent, with forecasts of growing indebtedness based on projected infrastructure development needs.
- Montenegro has the lowest corporate tax rate in the region at nine percent; Moody's downgraded Montenegro's sovereign ratings to B1 from Ba3 in May 2016. Approximately 85 percent of government-owned enterprises have been privatized, though many larger assets remain in government hands. According to MonStat, the official statistics agency for Montenegro (which works in close coordination with EuroStat) inflation for 2015 was 1.5 percent.
- Montenegro boasts a business-friendly tax policy. In 2003, Montenegro introduced a Value Added Tax (VAT). In 2006, it introduced a two-tiered rate system with a standard rate of 17 percent and a lower rate of 7 percent for certain services, including tourism, computers, technology, and books. In 2013, the government raised the higher tier rate to 19 percent.
- Montenegro attracts considerable interest from foreign investors, although foreign direct investment (FDI) dropped in 2011 and 2012 mostly as a result of the global economic crisis. Montenegro is a leading country in FDI, as measured by investment per capita and since 2006 has averaged around 19 percent of GDP. As of 2015, FDI was USD 850 million, according to preliminary data released by the Montenegrin Investment Promotion Agency (MIPA).
- More than 100 countries are investing in Montenegro, with no single country dominating the market. The most significant investments have come from Austria, Holland, Russia, Hungary, Norway, Serbia, Great Britain, Slovenia and Italy, with new interest coming from the Emirates, Azerbaijan, China, and the United States.

Market Challenges

Private Sector Development

- Close to 85 percent of state-owned companies have been privatized. Through a Public Private Partnership (PPP), the government maintains an ownership stake in several tourism sites. Also, some of these shares have been listed on the Montenegrin Stock Market. More information and details about these tenders can be found on the Privatization and Capital Investment Council's Webpage: www.savjetzaprivatizaciju.me.

Regulatory Framework

- Montenegro is working to amend legislation in line with international standards and create the necessary institutions to attract investment. As Montenegro moves towards EU accession, it will be required to improve implementation and enforcement of existing legislation.

Corruption

- Prevalent for many of the countries in the region, corruption is a concern, and routinely ranks high on the list of business impediments. Montenegro ranked 61st in Transparency International's (TI) 2015 Corruption Perception Index list. The government's goal of integrating within European and Euro-Atlantic institutions has spurred some official efforts to counter corruption. Over the past year, Montenegro created a special prosecutor and elected a new Supreme State Prosecutor to focus on high-level corruption and organized crime. The government also updated its legislation on public procurement, the treasury and budget system, and the courts in an effort to reduce corruption.

Market Opportunities

Tourism

- Montenegro's 300 km - long coastline and the spectacular mountainous north is the engine of the tourism sector, which accounts for up to 20 percent of GDP. Government sales of formerly state-owned land have triggered a wave of foreign investment in large-scale tourism and hospitality centers.

Infrastructure

- *Bar – Boljare Highway* – Montenegro is planning major upgrades to its road and rail networks, and a possible expansion of its air transportation system. In 2014, the Government of Montenegro selected two Chinese companies - China Communications Construction Company (CCCC) and China Road and Bridge Corporation (CRBC) to construct a 41 kilometer section of the national highway; this section will connect Podgorica with the north of the country and ultimately the Serbian border. Its construction will cost around USD 1.1 billion. This section of the Bar-Boljare highway is one of five projects the government is planning to tender in the next few years. In addition, the Government of Montenegro plans to develop the Adriatic-Ionian Highway (the so-called "East-West" Corridor), which will include approximately 105 kilometers of highway to connect Croatia, Montenegro, and Albania. (**Note:** CCCC is the designated successor entity to China Road and Bridge Corporation (CRBC). CCCC (and CRBC) is blacklisted by the World Bank, the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, and the European Bank for Reconstruction and Development, and it's on at least two blacklists in the US because of its Iran-Armenia railway project. The company is set to remain on the World Bank's blacklist until 12 January, 2017: in the meantime, it is ineligible to engage in any road or bridge projects financed by the World Bank Group.

Railway – The Government of Montenegro adopted a restructuring plan which split the Railway Company of Montenegro into two separate sections: (i) development and maintenance of railroad infrastructure and traffic

regulation and (ii) operations (freight, passenger transport and maintenance). Infrastructure management and traffic regulation will remain state-owned, while infrastructure maintenance will be managed jointly by the state and a private investor. The Government plans to privatize railway operations.

Energy

- *Offshore hydrocarbon exploration* – In late 2013, Montenegro invited international oil and gas companies to bid on licenses to explore its offshore coast, based on seismic data showing favorable conditions for hydrocarbon deposits off Montenegro's deep-water coast. The government has adopted a concession agreement with the Italian-Russian consortium Eni/Novatek for four exploration blocks. During 2016, Montenegro will likely sign an additional agreement with a Greek – British consortium Energean Oil/Mediterranean Oil & Gas for just one block. Exploration will begin in 2016 and additional licensing rounds for additional blocks are expected by 2020.
- *Coal power* -- The government is in negotiations with Skoda Praha regarding their proposal for a second thermal power plant in the northern city of Pljevlja. The current power plant, which runs on coal, is the only one in Montenegro and supplies an estimated 45 percent of the country's base load power.
- *Renewable energy* - Montenegro has the potential to develop hydropower, solar, and wind energy. The Government of Montenegro is working to develop the country's untapped hydroelectric power potential through Public-Private Partnerships. The government's priority is to develop the country's main river, Morača, through a series of four hydroelectric power plants which could generate 238 megawatts (MW) and produce 693 Giga-Watt hours (GWh) annually. Extensive geotechnical and hydrological surveys have been completed.

Market Entry Strategy

- Montenegro enacted legislation that outlines guarantees and safeguards for foreign investors. The legislation does not distinguish between foreign and domestic investors, affording them the same rights, with an exception for companies pursuing ownership in certain defense-related industries.
- Montenegro's Foreign Investment Law establishes the framework for investment. The law eliminates nearly all previous investment restrictions; extends national treatment to foreign investors; allows for the transfer/repatriation of profits and dividends; provides guarantees against expropriation; and allows for customs duty waivers for equipment imported as capital-in-kind.
- Agents and distributors are commonly used by foreign firms to enter the Montenegrin market.

Political Environment

For the background on the political and economic environment in Montenegro, please see the State Department Background Notes on Montenegro, at:

<http://www.state.gov/r/pa/ei/bgn/70949.htm>

Selling US Products & Services

Montenegro is in political and economic transition and has a complex market environment, with specific requirements for doing business. Government officials have significant influence on the development of the business climate and the use of a local representative is highly recommended. The use of agents and distributors is common for foreign firms. It is also suggested that a company have a local lawyer, not only to resolve potential disputes, but also to interpret existing laws, amendments, and changes to policies and guidelines.

Montenegro enacted legislation outlining guarantees and safeguards for foreign investors. Good communication with government officials and early presentation of proposed plans are advisable before bringing new investments to the market.

Using an Agent to Sell US Products and Services

The use of agents and distributors is an important mechanism for foreign firms to enter the Montenegrin market. Many firms find it is more efficient and cheaper to hire a good local agent or distributor than to conduct direct sales or marketing.

Liquidity is a significant problem in the Montenegrin economy. With some exceptions, advance payments and confirmed letters of credit by foreign banks are recommended. The U.S. Embassy's Economic Section can provide assistance, including local company profiles that encompass a thorough background check on potential clients and representatives. These profiles include up-to-date information on potential partners, such as bank and trade references, principals, key officers and managers, product lines, number of employees, financial data, sales volume, reputation and market outlook. International consulting firms present in Montenegro, such as Deloitte, KPMG, Ernst & Young, and PWC can be helpful in establishing the credibility of a potential local partner. The American Chamber of Commerce (AmCham) is also a reliable source of information. In addition, the Chamber of Economy, the Montenegro Business Alliance, and the Montenegrin Employers' Federation can be helpful.

AmCham Montenegro – www.amcham.me

Chamber of Economy - www.pkcg.org

Montenegro Business Alliance - www.visit-mba.org

Montenegrin Employers' Federation - www.poslodavci.org

Establishing an Office

The Central Register of the Commercial Court is in charge of business registration (www.crps.me) and holds an electronic database of registered business entities, contracts on financial leasing, and pledges. It takes four to five working days to register a business in Montenegro. The minimum financial requirement for a Limited Liability Company (LLC) is just 1€ and three documents are required: the founding decision, bylaws, and a copy of the passport (if an individual is founding a company) or registration form for the specific type of company. Samples of all documents are available for download at the CRPS website.

Montenegrin law permits the establishment of six types of companies: Entrepreneur, Limited Liability Company, Joint Stock Company, General partnership, Limited partnership and part of a foreign company.

If an *Entrepreneur* wants to conduct business under a different name he/she needs to register the company in Commercial Court, and will need to present:

- Personal identification card
- No minimum capital requirement
- Completed registration form
- Registration fee of €10
- Administrative fee of €12 for placing an advertisement in the Official Gazette of Montenegro

Limited Liability Company requires:

- One to thirty persons
- Founding act (The Foundation Agreement)
- Contract of decision of the company's foundation (The Charter)
- Minimum capital requirement of €1
- Registration fee of €10
- Administrative fee of €12 for placing an advertisement in the Official Gazette of Montenegro

Joint Stock Company requires:

- Founding act (The Foundation Agreement)
- Contract of decision of company's foundation (The Charter)
- List of names of all board members and managers

- Decision of the Securities Commission approving the prospectus for the public offering of shares
- Decision of the Securities Commission
- Minimum capital requirement of €25,000
- Completed registration form
- Registration fee of €50
- Administrative fee of €12 for placing an advertisement in the Official Gazette of Montenegro

General partnership requires:

- Two or more persons
- No minimum equity requirement
- Completed registration form
- Registration fee of €10

Limited partnership requires:

- Two or more individuals
- No minimum equity requirement
- Completed registration form
- Registration fee of €10

Part of a foreign company (Foreign Company Branch) requires:

- An authenticated copy of the charter of the foreign company and a certified translation of the charter in the Montenegrin language
- Registration certificate from the home country
- Financial reports
- No minimum equity requirement
- Completed registration form
- Registration fee of €10

After fulfilling all these requirements, the next step is to open a bank account. Then the company needs to report to the Tax Authority in order to receive a PIB (taxation identification number) and VAT number (Value Added Tax).

Direct Marketing

Direct marketing is not well developed in Montenegro. Mail order catalogs and the sale of mailing lists remain rare. Personal presentation marketing has been employed by such firms as Avon, Oriflame, Rainbow, and Kirby with varying degrees of success. Some business directories are available in hard copy and, in a few cases, on CD-ROM. Contact information for some Montenegrin companies can be found on the Internet at the following web-addresses: <http://www.t-com.me/>, <http://www.mipa.co.me/>, <http://www.visit-mba.org/>, <http://www.poslodavci.org/>.

Joint Ventures/Licensing

Joint ventures are regulated by the Foreign Investment Law of Montenegro (adopted in November 2000). Montenegrin companies are typically interested in joint-venture contracts with foreign firms in which the foreign company provides capital, equipment, and merchandise, and the domestic firm provides work and warehouse space, personnel, local experience, and channels of distribution. U.S. firms considering such ventures should carefully review the viability of potential domestic partners. Past problems have included excess labor costs, overdue debts, and structural inefficiencies.

Selling to the Government

The new Law on Public Procurement has been in effect since May 2015. The law seeks to modernize the public procurement system in Montenegro and harmonize it with international obligations to spur economic growth improve service. The law prescribes policies for the public procurement of goods and services; introduces greater transparency

and integrity into the process; establishes entities to administer the system efficiently; and offers equitable access to government contracts for the private sector.

The law applies to all investments financed by the budget, payments guaranteed by the government, or funds secured by loans taken by the government. According to the law, such purchases should be done via a public tender published in the Official Gazette. The Public Procurement Directorate (PPD) is responsible for reviewing whether procurement is done in conformity with the law, while the Public Procurement Commission (within the PPD) is in charge of bidder protection. The law defines the “best offer” as the offer with the lowest price which also complies with the tender’s specifications. Any other criteria must be prescribed in the bidding documents.

Distribution & Sales Channels

The Parliament of Montenegro adopted the Foreign Trade Law in 2004. The law decreases barriers for doing business and executing foreign trade transactions in accordance with WTO agreements. However, the law includes some restrictive measures, such as quotas, and discretionary government intervention. Customs and tax enforcement has helped reduce illegal imports and unlicensed business activities. The retail sector was restructured. As sales chains were privatized and acquired by larger groups, new private retailers emerged in the market. Retail grocery and trade is now dominated by private regional companies such as Idea, Voli (local), and Aroma. The trade sector in Montenegro is now 100 percent privately owned. Customers are increasingly switching from local markets to modern shopping centers, newly established domestic supermarkets, and retail chains where goods are often cheaper and of better quality. The retail sector also includes kiosks, small shops and open-air markets.

Capital goods are normally sold directly to manufacturers and businesses. When selling capital goods or machinery to businesses, a good agent with regional and domestic knowledge is essential.

Express Delivery

The Express Delivery segment is developed in Montenegro. Well-known companies such as DHL, UPS, and FedEx are present on the market.

Selling Factors & Techniques

Factors and techniques that are critical to success in Montenegro are the same as in most other countries: a product or service that has a good reputation, value for money, a seller who maintains close contact with buyers, a motivated and well-trained sales force, strong market promotion and, for technical products, having a professional and end-user oriented customer service network in place. The ability to provide product financing is of lesser importance than it was previously, as financing from local banks has become more readily available.

The size of the Montenegrin market is a limiting factor for highly specialized products. For such products, it can be more challenging to find a local representative as the potential sales volumes may not justify the costs of putting the product on the market. A regional distributor covering the local market may provide better economies of scale. Overall, private sector growth argues well for western businesses that are accustomed to selling products based on pricing, volume, quality, and servicing ability.

eCommerce

E-commerce is not widely-used by companies in Montenegro and information available on company web sites may be outdated. Electronic Commerce is regulated by the “E-commerce Law” adopted in 2004.

The Law on Digital Signatures adopted in 2003, promotes the secure and efficient utilization of electronic communication by specifying requirements for certain electronic signatures and authorizing the issuance of certificates for electronic signatures.

Trade Promotion & Advertising

Most Montenegrin companies engage in some form of advertising. Available vehicles include: newspapers, magazines, television, radio, billboards, and signs. Television is the most important medium. In Montenegro there are three public service channels (TVCG1, TVCG2, and TVCG Sat) and 18 private TV stations.

The major daily newspapers in Montenegro are:

"Pobjeda", <http://www.pobjeda.co.me>

"Dan", <http://www.dan.co.me/>

"Vijesti" <http://www.vijesti.me>

"Dnevne Novine", <http://www.dnovine.me/>

The major weekly in Montenegro is "Monitor", <http://www.monitor.co.me/>.

Outdoor billboard advertising is also growing.

The most widely advertised products are mobile phone services, telecommunications, vehicles, financial institutions, beverages, newspapers, clothing, and hygiene products. Montenegrin regulations prohibit television advertising of tobacco, alcohol, and spirits.

Pricing

Liberalization of the market has put pressure on domestic producers to align pricing with costs. The level of prices in Montenegro is higher compared to prices of similar products/services in Western European countries and the United States, thus making imported products price competitive.

With a few exceptions noted below, and in the few remaining publicly owned assets, price supports and subsidies have been removed from the market and, as mentioned above, price competition has intensified.

The state directly controls the prices of utilities, public transit, and petroleum. A significant black market still exists for some products, especially consumer goods, including cigarettes. Such goods can be sold more cheaply because the sellers have generally avoided customs and tax payments. In 2003, Montenegro introduced the Value Added Tax (VAT) with a two-tiered tax rate of 17 and 7 percent. Since May 2013 the standard rate was raised to 19 percent and the lower rate of 7 percent still applies to certain services (primarily computers, technology, books and tourism). The VAT turnover period averages 30 days.

Sales Service/Customer Support

Customer responsiveness is growing with the increasing presence of Western companies and growing competition for value-added services. As the market matures, the high level of service support offered by U.S. firms can help regain business from the gray market, which offers no customer support. Having customer support team members who speak English is also beneficial to business success.

Due Diligence

Due diligence - the legal audit of companies - is performed by a number of lawyers in Montenegro and is generally consistent with international standards. Information is gathered from public books: the register of fixed assets, the court register, the statistical register, as well as from the firm itself, chambers, and the business community. The price of the service depends on the volume of work necessary to provide the information, and, in general, is lower than in the United States.

Local Professional Services

The Embassy of the United States of America, website available at: <http://podgorica.usembassy.gov>

U.S. Commercial Service, web site available at: <http://export.gov/montenegro>

Principle Business Associations

In order to further develop commercial ties between the U.S. and Montenegro, the American Chamber of Commerce in Montenegro was launched in 2008. AmCham Montenegro serves as a leading advocate for American as well as other foreign businesses in Montenegro, seeking to liberalize the labor market and investment climate in order to generate greater FDI.

Marko Mirocevic, Executive Director
American Chamber of Commerce in Montenegro
Rimski Trg 4/V – Telenor building
81000 Podgorica, Montenegro
Tel/Fax: +382 20 621 328
Website: <http://www.amcham.me/>

Montenegrin Chamber of Economy
The government-supported Chamber of Economy in Montenegro was established in 1928. The Chamber is focused on increasing the competitiveness of Montenegrin enterprises and on promoting Montenegro as an investment destination.

Velimir Mijuskovic, President
Chamber of Economy of Montenegro
Novaka Miloseva 29/III
81000 Podgorica, Montenegro
Tel: +382 20 230 545
Fax: +382 20 230 493
Website: www.privrednakomora.me

Selling U.S. Products and Services Web Resources

American Chamber of Commerce – www.amcham.me
Chamber of Economy - www.pkcg.org
Montenegro Business Alliance - www.visit-mba.org
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Montenegrin companies can be found on the Internet at the following web pages: <http://www.t-com.me/>,
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"Dan", <http://www.dan.co.me>
"Vijesti" <http://www.vijesti.me>
"Dnevne Novine" <http://www.dnovine.me/>

The major weekly publication in Montenegro is "Monitor", <http://www.monitor.co.me>

Trade Regulations, Customs, & Standards

Import Tariff

Montenegro has a small but open economy that is generally based on free trade. Trade policy is characterized by a low level of custom duties and the absence of non-tariff trade barriers. The tariff system is prescribed by the Law on Customs Tariffs. Tariffs average 6.5 percent, but range from zero to 30 percent. A uniform tariff rate of 5 percent is

applied on goods imported for non-commercial purposes. Customs tariffs are not calculated on exported goods. Montenegro is a member of the Central European Free Trade Agreement (CEFTA).

Import duties are set by the customs tariff, as an integral part of the Customs Tariff Law, which is fully based on terms harmonized with EU legislation. The value of goods, which serves as the customs assessment base, is the contract price. Customs Law, however, discusses general procedures applicable to the trading of goods. For further information please see www.upravacarina.gov.me

Raw materials, especially aluminum, are the dominant Montenegrin export while imports, which far outstrip exports, have no single dominant item. Major categories of imports include: cosmetics, personal hygiene products, food stuffs, and clothing.

According to 2015 data from the government's statistical bureau "Monstat," foreign trade exchange was USD 2.45 billion. The value of overall exported and imported goods in 2015 was USD 361.3 million and USD 2.09 billion, respectively. Montenegro's most important export partners were Serbia (USD 79.9 million), Italy (USD 45.5 million) and Bosnia and Herzegovina (USD 33.5 million), with imports mainly coming from Serbia (USD 590.4 million), China (USD 215.9 million) and Bosnia and Herzegovina (USD 136.7 million). Foreign trade exchange was the highest with Central European Free Trade Agreement (CEFTA) states and the EU.

Trade Barriers

In support of its successful efforts to gain accession to the World Trade Organization (WTO), Montenegro implemented significant trade policy reforms, bringing the country's practices in compliance with WTO requirements and those of the EU. Reforms have included the elimination of import quotas, the reduction of import licensing requirements and prohibitions, streamlining customs procedures, and a reduction of tariff and non-tariff barriers. Montenegro became the 156th member of the World Trade Organization (WTO) in 2011.

The 2003 Customs Law simplifies import-export procedures and is in line with WTO and EU requirements. The customs territory of Montenegro comprises the territory of Montenegro, including its territorial waters, inland maritime waters, and its airspace. Goods enter and/or leave the customs territory through border crossings. There is a new customs inspection point at Porto Montenegro, the coastal tourism and boating facility in Tivat to facilitate visa and goods checks for the new tourism complexes built there.

Customs "goods" mean: (i) any good introduced into the customs territory that has not been released for free circulation and (ii) any good declared for export from the customs territory. Duties on goods imported into the customs territory are based on the Law on Custom Tariffs and on rules laid down in the law. All goods that are brought into or taken out of the customs territory must be declared to the customs office at the border, or to other competent custom offices. Any person importing or exporting goods may request information concerning the application of custom rules from the custom authorities without being charged. For more information, please see the Customs Law: www.upravacarina.gov.me.

Montenegro's Foreign Trade Law decreases the barriers for doing business and executing foreign trade transactions in accordance with WTO Agreements. However, the law still provides for some restrictive measures, such as quotas, and discretionary government intervention in a small number of areas.

These laws also provide the government with the authority to implement temporary measures to regulate trade. In almost all cases the government has phased-out quantitative restrictions although certain goods require a license from the government. New laws are being promulgated to improve the custom and trade regimes.

Import Requirements & Documentation

Montenegro uses a fairly standard import/export documentation process (generally requiring bill-of-landing and related sales documents). With the liberalization of the trade regime and reform of the trade/custom-related institutions, Montenegro is moving toward harmonizing its import documentation with the EU.

For the most part, import-licensing regimes were dismantled beginning in 1999. However, import licenses are required for arms/ammunition, military and police equipment, antiquities, works of art, precious metals, waste, and substances harmful to the ozone layer. According to government officials, it is not difficult to obtain a license and, in all successful cases, licenses are issued in less than 30 days and may be used for multiple shipments during the period of validity.

U.S. Export Controls

Foreign trade activities in Montenegro may be performed by all persons registered for such activities in accordance with the customs regulations. The government may impose quantitative restrictions on exports: (i) in case of critical shortages of products essential to Montenegro, or for the relief of consequences of such shortages; or (ii) in order to protect exhaustible natural resources, if export restrictions are applied simultaneously with restrictions on domestic production or consumption. The government may impose quantitative restrictions on imports as a safeguard measure pursuant to Articles 44-50 of this law.

Montenegro adopted the classification of Goods for Exports into the following regimes: free exports (LB) and licensed exports (D). Export licenses are required for the following commodities: drugs, medicines, blood and pharmaceutical products, precious metals, explosives, arms, military equipment, and national art treasures.

The law states that the period for processing applications for import, transit, or export licenses shall not exceed 15 calendar days as of the day of application if applications are considered as and when received, i.e. on a first-come first-served basis. Processing usually does not exceed 30 days if all applications are considered simultaneously, and consideration starts on the day following the closing date of the announced application period.

Temporary Entry

Products may be brought into Montenegro on a temporary basis and are exempt from custom duties in certain situations:

- Equipment temporarily sent by a foreign company to a Montenegrin company to produce goods or provide services for the foreign company;
- Equipment temporarily imported by a foreign contractor to perform construction, assembling, maintenance, and similar works in Montenegro, and then re-exported; and
- Raw materials temporarily imported for processing in Montenegro and re-exported.

The law states that goods intended for re-export may be exempt from duties for up to 24 months.

Labeling/Marking Requirements

Labels must contain the following: title of the product, full address of the producer or full address of the importer, net quantity/weight/volume, ingredients, manner of storage (transport, use of maintenance) and pertinent consumer warnings. Technically complicated products must be accompanied by instructions on usage, the manufacturer's specifications, and a list of authorized maintenance offices, warranty information, warranty period and other applicable data.

Prohibited & Restricted Imports

There is a limited list of prohibited items which are not allowed to be imported because of technical conditions related to environmental protection.

More information can be obtained from Montenegro's Ministry of Economy and Custom Offices.

Customs Regulations

Montenegro Customs Administration

Vladan Jokovic, Director

Oktobarske revolucije 128

81000 Podgorica, Montenegro

Phone: +382 20 623 322

Fax: +382 20 620 459

www.upravacarina.gov.me

Trade Standards

The Institution for Standardization in Montenegro was established in 2007. The Law on Standardization, adopted in 2007, establishes the regulatory framework. The Institute is responsible for drafting standards – 14,075 have been adopted thus far and are in line with EU principles. According to the Institute's plan, an additional 2,000 standards should be adopted by the end of 2016. The Institute for Standardization has signed ten bilateral agreements (with Serbia, Bosnia and Herzegovina, Macedonia, Albania, Slovenia, Croatia, Great Britain, Turkey, Germany and France) in order to transfer materials and expertise in this field. Also, in 2015, the Institute signed a MoU with American Society for Testing and Materials (ASTM International).

Institute for Standardization

VII Omladinske br. 28

81000 Podgorica

Phone: (+382 20) 227 123

Fax: (+382 20) 227 138

E-mail: isme@t-com.me

Web site: www.isme.me

Mr. Miodrag Perovic, Director

Ministry of Economy

81000 Podgorica, Rimski trg 46

Telephone: (+382 81) 242-104, 482-112; Fax: (+382 81) 242-028

Web site: www.mek.gov.me

Mr. Vladimir Kavacic, Minister

Trade Agreements

In December 2006, Montenegro signed the Central European Free Trade Agreement (CEFTA), intended to eliminate all custom restrictions for industrial and agricultural products in member states by 2010. The Parliament ratified CEFTA in 2007, and it took effect in Montenegro (and simultaneously in Albania, Macedonia, Moldova, and Kosovo). Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia were already parties to the Agreement. Montenegro holds CEFTA Presidency in 2016.

A Free Trade Agreement with the EFTA countries (Switzerland, Norway, Iceland, and Liechtenstein) was signed on November 14, 2011. The EFTA states are the world's 11th largest merchandise trader, as well as significant actors in services and foreign direct investment.

The United States does not have a Bilateral Investment Treaty (BIT) with Montenegro. It is possible that given the presence of U.S. investors, and Montenegro's interest, it could be a BIT candidate in the future.

The U.S. restored Normal Trade Relations (Most-Favored Nation status) to Montenegro in December 2003. This status provides improved access to U.S. markets for goods exported from Montenegro. The U.S. Government has approved Montenegro's request to be designated a beneficiary developing country under the U.S. Generalized System of Preferences (GSP) program, which provides duty-free access to the U.S. market in various eligible categories (jewelry, ores, stones, some agricultural products, etc.).

Other free trade agreements:

- *Free Trade Agreement with Russia:* A free trade agreement with Russia, concluded in August 2000, eliminated barriers of Montenegrin exports to Russia. The agreement stipulated that the importing country regulate the rules of origin, in accordance with WTO principles. The list of products not covered by the duty free agreement is updated annually, and it currently includes poultry, sugar, chocolate, alcoholic beverages, soap, cotton, carpets, wooden furniture, household appliances, and motor vehicles. Also, as a part of the negotiations with Russia, there are negotiations on free trade agreements with Kazakhstan and Belarus, which formed a customs union together with Russia in 2010.
- *Preferential Trade Agreement with the European Union:* The EU has taken steps to stimulate the export of goods among countries in the region through the establishment of autonomous trade preferences (ATP), which provide duty-free entry for over 95 percent of goods. Exemptions include wine, meat, and steel. Products originating from Montenegro are generally admitted into the EU without quantitative restrictions and are exempted from custom duties and charges. The products exempted from the free import regime are agricultural products, "baby beef" products, and textile products.
- *Free Trade Agreement with Turkey:* The Free Trade Agreement (FTA) between Montenegro and Turkey entered into force in 2010. The Turkey-Montenegro FTA eliminated tariff and non-tariff trade barriers between the countries. Also, the agreement regulates numerous other areas such as sanitary and phytosanitary measures, technical barriers to trade, intellectual property, rules of origin, internal taxation, anti-dumping and countervailing measures, safeguards, and balance of payments measures. While the list of industrial products covered is identical to that signed with the EU, the list of agricultural products is rather limited.

Bilateral Taxation Treaties

Montenegro signed 42 treaties with various countries on income and property, which regulate double taxing. At this moment, 41 treaties are in force, while one (with India) is pending. In force are treaties with Albania, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Korea, Kuwait, Latvia, Macedonia, Malaysia, Moldova, Malta, Holland, Norway, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Sri Lanka, Sweden, Switzerland, Turkey, Ukraine, United Kingdom and United Arab Emirates. Montenegro does not have a double taxation treaty with the U.S.

In 2014, Montenegro and the U.S. Government concluded an agreement on the Foreign Account Tax Compliance Act (FATCA), which will help the countries better track and report tax evasion and it is expected that the agreement will be formally signed in 2016.

Trade Regulation Web Resources

www.mek.gov.me

www.monstat.org

www.upravacarina.gov.me

www.montenegroairports.com

www.ekip.me

www.promonte.com

www.t-com.me

Investment Climate Statement

Executive Summary

Since regaining its independence in 2006, Montenegro has established a legal framework that encourages privatization, employment, and exports. Implementation lags behind the legal structure, and the Montenegrin economy continues to flounder on a very narrow tax base and a band of three developing sectors: tourism, energy, and to a lesser extent agriculture. Montenegro has one of the highest public debt-to-GDP ratios in the region, currently at 60 percent, with its indebtedness forecast set to grow as it repays a 800 million euro debt to China's Ex/Im Bank for financing Montenegro's first modern highway. Despite legal improvements, corruption is a major concern. Montenegro ranks 61st in Transparency International's (TI) 2015 "Corruption Perception Index" survey of 167 countries. In 2015, the economy grew by 3.5 percent while unemployment remains fixed at nearly 20 percent.

As a candidate for membership in the European Union (EU), Montenegro is making good progress opening and negotiating accession-related criteria with the EU. To date it has opened 22 out of 35 chapters of the EU acquis and has provisionally closed two. Montenegro 2015 invitation to join NATO is tangible recognition of its efforts to integrate into European and Euro-Atlantic institutions.

Tourism

Montenegro's 300 kilometer- long coastline and the spectacular mountainous north fuels the tourism sector, which accounts for up to 20 percent of GDP. Government sales of formerly state-owned land have spurred a wave of foreign investment in large-scale tourism and hospitality centers; however, bureaucratic gridlock has left many of these projects on hold. No one country dominates the FDI field, with Russia, Azerbaijan, China, Swiss (Egypt), Arabian Gulf, U.S., U.K., and Canadian projects taking root.

Energy

The GoM is building an underwater electric transmission cable to Italy which will export renewable energy to the continent starting in 2017. Additionally, there are several ongoing conventional energy projects around the country, including a second block of the thermal plant in Pljevlja and a number of small-scale hydro projects. In late 2013, Montenegro invited international oil and gas companies to bid on licenses to explore its offshore coast, based on seismic data showing hydro-carbon deposits off Montenegro's deep-water coast. The government has adopted a concession agreement with the Italian-Russian consortium Eni/Novatek for four exploratory blocks. Next year, Montenegro is expected to sign one more agreement with a Greek – British consortium Energean Oil/Mediterranean Oil & Gas for an additional block. The exploration is expected to start in 2016 and several more licensing rounds for other exploratory blocs are expected by 2020.

Agriculture

Montenegro's temperate climate supports a nascent agro-production industry; however, the country continues to be import dependent on food products from neighboring countries. The exception is the local wine industry, with government-owned "Plantaze" which is a leading regional producer and exporter to Europe and the U.S.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	61 of 167	transparency.org/cpi2015/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	46 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	42 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2015	N/A	BEA/Host government
World Bank GNI per capita	2014	7,320	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness to and Restrictions upon Foreign Investment

Attitude toward Foreign Direct Investment

Montenegro regained its independence in 2006 and since then the country has adopted an investment framework that, in principle, encourages growth, employment, and exports. Montenegro, is still working to establish a liberal business climate that fosters foreign investment and local production. The country is also dependent on agricultural imports from neighboring countries, though it has significant potential in some areas of agriculture and food production. Although the continuing transition has not yet eliminated all structural barriers, the government generally recognizes the need to remove impediments in order to remain competitive, reform the business environment, and open the economy to foreign investment.

In general, there are no distinctions made between domestic and foreign-owned companies. Foreign companies can own 100 percent of a domestic company, and profits and dividends can be repatriated without limitations or restrictions.

Foreign investors can participate in local privatization processes and can own land in Montenegro generally on the same terms as locals. Expropriation of property can only occur for a "compelling public purpose" and compensation must be made at fair market value. There has been no known expropriation of foreign property. International arbitration is allowed in commercial disputes involving foreign investors.

Laws/Regulations on Foreign Direct Investment

Registration procedures have been simplified to such an extent that it is now possible to register a company in Montenegro electronically. Bankruptcy laws have been streamlined to make it easier to liquidate a company; accounting standards have been brought up to international norms; and custom regulations have been simplified. There are no mandated performance requirements.

Montenegro enacted specific legislation outlining guarantees and safeguards for foreign investors. Montenegro's Foreign Investment Law establishes the framework for investment in Montenegro. The law eliminates previous investment restrictions, extends national treatment to foreign investors, allows for the transfer/repatriation of profits

and dividends, provides guarantees against expropriation, and allows for customs duty waivers for equipment imported as capital-in-kind.

Montenegro also has adopted more than 20 other business-related laws, all in accordance with EU standards. The main laws that regulate foreign investment in Montenegro are: the Foreign Investment Law; the Enterprise Law; the Insolvency Law; the Law on Fiduciary Transfer of Property Rights; the Accounting Law; the Law on Capital and Current Transactions; the Foreign Trade Law; the Customs Law; the Law on Free Zones; the Labor Law (which is currently undergoing amendment to make personnel decisions more efficient); the Securities Law; the Concession Law, and a set of laws regulating tax policy. Montenegro has amended investment-related legislation in accordance with global standards and is creating necessary institutions to attract investment. However, as is the case with other transitional countries, implementation and enforcement of existing legislation remains weak and inconsistent.

While Montenegro is working to improve its business climate, deficiencies still exist. The absence of fully developed legal institutions has fostered corruption and weak controls over conflicts of interest. The judiciary is slow to adjudicate cases, and court decisions are not always consistently reasoned or enforced. Montenegro's significant grey economy impacts its open market and negatively affects businesses that operate in accordance with the law. Favorable tax policies established at the national level are often ignored at the municipal level.

Business Registration

The Central Register of the Commercial Court is in charge of business registration (www.crps.me). It has an electronic database of registered business entities, contracts on financial leasing, and pledges. Registering a business in Montenegro takes an average of four to five working days. The minimum financial requirement for a Limited Liability Company (LLC) is just 1€ and three documents are required: the founding decision, bylaws, and a copy of the passport (if an individual is founding a company) or registration form for the specific type of company. Samples of all documents are available for download at the CRPS website.

Montenegrin law permits the establishment of six types of companies: Entrepreneur, Limited Liability Company, Joint Stock Company, General partnership, Limited partnership and part of a foreign company.

If an Entrepreneur wants to conduct business under a different name he/she needs to register the company in the Commercial Court, and he/she needs to present:

- Personal identification card
- No minimum capital requirement
- Completed registration form
- Registration fee of €10
- Administrative fee of €12 for placing an advertisement in the Official Gazette of Montenegro

A Limited Liability Company requires:

- One to thirty persons
- Founding act (The Foundation Agreement)
- Contract of decision of company's foundation (The Charter)
- Minimum capital requirement of €1
- Registration fee of €10
- Administrative fee of €12 for placing an advertisement in the Official Gazette of Montenegro

A Joint Stock Company requires:

- Founding act (The Foundation Agreement)
- Contract of decision of company's foundation (The Charter)
- List of names of all members of boards and managers
- Decision of the Securities Commission approving the prospectus for the public offering of shares
- Decision of the Securities Commission determining the successfulness of the issue
- Minimum capital requirement of €25,000

- Completed registration form
- Registration fee of €50
- Administrative fee of €12 for placing an advertisement in the Official Gazette of Montenegro

A General partnership requires:

- Two or more persons
- No minimum equity requirement
- Completed registration form
- Registration fee of €10

A Limited partnership requires:

- Two or more individuals
- No minimum equity requirement
- Completed registration form
- Registration fee of €10

Part of a foreign company (Foreign Company Branch) requires:

- An authenticated copy of the charter of the foreign company and a translation of the charter in the Montenegrin language duly certified as a true and correct translation
- Registration certificate from the home country
- Financial reports
- No minimum equity requirement
- Completed registration form
- Registration fee of €10

After fulfilling all these requirements, the next step is to open a bank account. After that, the company reports to the Tax Authority in order to receive a PIB (taxation identification number) and VAT number (Value Added Tax).

To better promote investment and foster economic development, the Government of Montenegro established the Montenegrin Investment Promotion Agency (MIPA) in mid-2005. It seeks to promote Montenegro as a competitive destination by actively soliciting and facilitating investment projects in the country.

Inquiries on investment opportunities in Montenegro can be directed to:

Milos Jovanovic, Acting Director
 Montenegrin Investment Promotion Agency (MIPA)
 Jovana Tomasevica 2
 81000 Podgorica, Montenegro
 Tel/fax: (+382 20) 203 140, 203 141, 202 910
 Website: <http://www.mipa.co.me>
 E-mail: info@mipa.co.me

The classification of enterprises by size is based on number of employees: (i) small enterprises (from 1 to 49 employees), (ii) medium-sized enterprises (from 50 to 249) and (iii) large enterprises (more than 250 employees).

Industrial Promotion

The Government of Montenegro created Montenegrin Investment Promotion Agency (MIPA), the Privatization and Capital Project Council and Secretariat for Development Projects with the aim to promote investment opportunities in the different sectors of the Montenegrin economy, primarily in the tourism, energy, and agriculture sectors.

Limits on Foreign Control and Right to Private Ownership and Establishment

There are no limits on foreign control and right to private ownership and establishment in Montenegro.

Privatization Program

The Government of Montenegro is the main institution responsible for privatization. The Privatization and Capital Projects Council has been formed to manage, control, and implement the privatization process as well as to propose and coordinate all activities for capital projects in Montenegro. The Prime Minister of Montenegro is the president of the Privatization and Capital Projects Council.

The responsibility of this council is defined by the Law on Economic Privatization. Each year, the Privatization Council announces the plan for privatization that lays out which companies will be privatized, the methods of their privatization, and how foreign investors can participate in the privatization process.

The privatization process in Montenegro is in its final phases. The majority of companies that have not yet been privatized are of strategic importance to the Montenegrin economy in such fields as energy, transport, and tourism. Further privatization of state-owned companies should contribute to better economic performance, increase the competitiveness of the country, and enable the Government of Montenegro to generate higher revenues to enhance capital investments and reduce debts.

More information about the Council and the actual privatization plan is available on the Council's website:

www.savjetzaprivatizaciju.me/en

Screening of FDI

There are no institutional barriers against foreign investors, including U.S. businesses, and there is no specific screening mechanism for investment.

Competition Law

The Agency for the Protection of Competition was established as an independent entity in 2013 after the Law on Protection of Competition entered into force. Free market competition, which is regulated by the law, has a direct and significant impact on Montenegro's overall economic development, enabling the country to fully participate in international markets.

Conversion and Transfer Policies

The Foreign Investment Law guarantees the right to transfer and repatriate profits in Montenegro. Montenegro uses the Euro as its domestic currency.

Remittance Policies

There are no obstacles to the free transfer of funds exercised on the basis of profit, repayment of resources, or residual assets.

Expropriation and Compensation

Montenegro provides legal safeguards against expropriation. Protections are codified in several laws adopted by the government. There have been no cases of expropriation of foreign investments in Montenegro. However, Montenegro has outstanding claims related to property nationalized under the Socialist Federal Republic of Yugoslavia, including a number of cases which involve U.S. citizens.

At the end of August 2007, Parliament passed a new Law on Restitution, which supersedes the 2004 Act. In line with the law, three review commissions have been formed: one in Bar (covering the coastal region); one in Podgorica (for the central region of Montenegro); and one in Bijelo Polje (for the northern region of Montenegro.) The basic restitution policy in Montenegro is restitution in kind when possible, and cash compensation or substitution of other state land when physical return is not possible.

Montenegro provides safeguards from expropriation actions through its Foreign Investment Law. The law states that the government cannot expropriate property from a foreign investor unless there is a "compelling public purpose"

established by law or on the basis of the law. If an expropriation is executed, compensation must be provided at fair market value plus one basis point above the LIBOR rate for the period between the expropriation and the date of payment of compensation.

Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Montenegro's legal system is a civil, continental type based on Roman law. It includes the legal heritage of the former Yugoslavia and the State Union of Serbia and Montenegro. As of 2006, when the country regained its independence, Montenegrin codes and criminal justice institutions are applicable and operational. Montenegro's Law on Courts defines a judicial system consisting of three levels of courts: Basic, High, and the Supreme Court. Montenegro established the Appellate Court and the Administrative Court in 2005 for the appellate jurisdiction in criminal and commercial matters, and specialized jurisdiction in administrative matters. The specialized Commercial Courts have first instance jurisdiction in commercial matters.

The Basic Courts have first instance jurisdiction in civil cases and criminal cases with prison sentences up to 10 years. There are 15 Basic courts for Montenegro's 23 municipalities. Two High Courts in Podgorica and Bijelo Polje have appellate review of municipal court decisions. The High Courts also decide on jurisdictional conflicts between the municipal courts. They are also the first instance courts for serious crimes with prison sentences of more than 10 years. Podgorica High Court has specialized judges and departments who deal with organized crime, corruption, war crimes, money laundering, and terrorism cases.

According to the Law on Courts, there is just one Commercial Court, based in Podgorica, and two Misdemeanor Courts (Basic Misdemeanor Courts and the Appellate Misdemeanor Court). The commercial court has jurisdiction in the following matters: all civil disputes between legal entities, shipping, navigation, aircraft (except passenger transport), intellectual property rights, bankruptcy, and unfair trade practices. The High Court hears the appeals of Basic Court decisions, and the High Courts' first instance decision may be appealed to the Appellate Court. The Supreme Court is third (and final) instance court for all decisions. The Supreme Court is the court of final judgment for all civil, criminal, commercial, and administrative cases and it acts only upon irregular i.e. extraordinary legal remedies. The Appellate Court is a second instance court for decisions of the Commercial Courts. The Constitutional Court of Montenegro checks the constitutionality and legality of legal acts, and acts upon constitutional complaints in relation to human rights violations.

The commercial court system faces a number of challenges, such as the poor implementation of legislation and confusion over numerous changes to existing laws; the development of a new system of operations, including electronic communication with claimants; and a lack of capacity and expertise among the judges, as well as case backlog in general.

Over the last several years, the adoption of 20 new business laws has significantly changed and clarified the legislative environment. Legislative reforms in the last few years are expected to improve efficiency and effectiveness of court proceedings, a change already visible in the Basic Courts.

Bankruptcy

The Bankruptcy Law, adopted in January 2011, mandates debtors should be designated as insolvent if they cannot meet financial obligations within 45 days from the date of maturity of any debt obligations. The Foreign Trade Law decreases barriers for doing business and executing foreign trade transactions and is in accordance with WTO standards. However, the law still provides a scope for restrictive measures and discretionary government interference.

Investment Disputes

Post is aware of one investment dispute which involves an American company in Montenegro. However, a number of individual American investors involved in public procurement and construction are in various stages of dispute resolution with the government.

International Arbitration

Dispute resolution is under the authority of the national courts, but it can also fall under the authority of international courts if the contract so designates. Accordingly, Montenegro allows for the possibility of international arbitration. Various foreign companies have other bilateral and multilateral organizations -- such as MIGA (World Bank), OPIC (U.S.), ECGD (UK), SID (Slovenia), SACE (Italy), COFACE (France), and OEKB (Austria) -- providing risk insurance against war, expropriation, nationalization, confiscation, inconvertibility of profit and dividends, and inability to transfer currency. In 2012, Montenegro became a Party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention).

ICSID Convention and New York Convention

Montenegro ratified its ICSID Convention membership on April 2013, and the country fully enforces the Convention.

Duration of Dispute Resolution – Local Courts

Montenegro is working to improve its long and inefficient trial proceedings. Procedural laws have been amended to make proceedings efficient, in line with the standards of the European Convention of Human Rights (Note: Most Montenegrin related complaints that go to the European Court of Human Rights concern Article 6 of the Convention – right to a fair trial in a reasonable time). Civil appellate procedures have been simplified and remand procedures limited. In addition, Montenegro has the Law on Protection of the Right to a Fair Trial in Reasonable Time, which stipulates compensation if a trial is delayed beyond a reasonable period. The law also introduces a series of mechanisms during the trial itself to ensure that it moves forward at a reasonable rate.

In 2011 Montenegro adopted the Law on Public Bailiffs, which improved the enforcement of civil judgments.

Performance Requirements and Investment Incentives

WTO/TRIMS

The GoM has not notified the World Trade Organization (WTO) of any measures that are inconsistent with the WTO's Trade Related Investment Measures (TRIMs), nor have there been any independent allegations that the GoM maintains any such measures.

Investment Incentives

Investors with projects in Montenegro can receive financial incentives awarded by the Government. Both Montenegrin and foreign legal entities can apply for investment incentives.

The Government of Montenegro adopted the Decree on Direct Investment incentives to further improve the business environment in Montenegro and stimulate direct investments and job creation. For investments greater than 500,000 euros that create at least 20 new jobs within three years from the date of signing the incentive agreement, both domestic and foreign investors can apply for cash grants in amount of 3,000 to 10,000 euros per new job created. For investments in the North and Central region (except for Podgorica), the minimum investment is 250,000 euros and the creation of ten new jobs. For capital investments greater than 10 million euros that create at least 50 new jobs, incentives can be awarded up to 17 percent of the investment value. The decree also provides for refunds of infrastructure development costs incurred in the investment process. The exact amount of the incentives is determined in accordance with specific criteria listed in the decree. The government approves the incentive, and the funds are payable in three equal installments, backed by adequate bank guarantees.

The government also offers, in partnership with local municipalities, some incentives via special business zones, which have been created in several cities outside the capital.

Research and Development

U.S. and other foreign firms are not restricted from participating in government/authority financed and/or subsidized research and development programs.

Performance Requirements

The government does not impose any performance requirements as a condition for establishing, maintaining, or expanding an investment. There is a defined package of incentives offered to foreign investors, including duty exemptions for imported equipment.

In March 2016, AmCham Montenegro and the Foreign Investors' Council announced that amendments to the Law on Foreigners have improved and liberalized Montenegro's business environment. According to changes to the law, businesses no longer have to provide official proof that a Montenegrin is unavailable for a particular job before hiring a foreigner.

Data Storage

The government does not use "forced localization," the policy in which foreign investors must use domestic content in goods or technology. The only exception is the current agreement with two Chinese companies which are developing the country's first national highway. The project, one of the largest infrastructure investments in the country and worth close to one billion euros, requires that 30 percent of the labor be locally hired.

Right to Private Ownership and Establishment

In Montenegro, a foreign investor, foreign company, or foreign individual may acquire property. The Foreign Investment Law specifically permits foreign investors to purchase real estate through a contract. This right is explicitly reinforced by the Law on Property and Law on Relations. The Act states that foreign persons and companies can, based on reciprocity, acquire rights to real estate, such as company facilities, places of business, apartments, living spaces, and land for construction. Additionally, foreign persons can claim property rights to real estate by inheritance in the same manner as a domestic citizen.

Protection of Property Rights

The acquisition and disposition of intellectual property rights are protected by the Law on the Enforcement of Intellectual Property Rights, which entered into force on January 1, 2006. The law allows the Government to assess up to 30,000 euros on legal entities for selling pirated and/or counterfeited goods. It also provides ex-officio authority for market inspectors in the above mentioned areas. A new set of amendments to the existing Law were adopted in last several years in line with EU regulations to improve IPR protections. In April 2005, the Montenegrin Parliament adopted the Regulation on (TRIPs) Border Measures that provides powers to customs authorities to suspend customs procedures and seize pirated and counterfeit goods.

Montenegro's Penal Code penalizes intellectual property right violations, allows for ex-officio prosecution, and provides for stricter criminal penalties; however, copyright violation is a significant problem in the outerwear and apparel market and unlicensed software can be easily found on the general market. The Law on Optical Disks was adopted in December 2006; it requires the registration of business activity when reproducing optical disks for commercial purposes and provides for the surveillance of optical disk imports and exports, and imports and exports of polycarbonates.

The Montenegrin Intellectual Property Office is an authority within the state administration which deals with industrial property rights. The Intellectual Property Office was established under the Regulation on Organization and Manner of Work of the State Administration, dated May 11, 2007 and officially began work on May 28, 2008.

In September 2007, a new regulation was adopted which stipulated that any rights registered with the Union Intellectual Property Office or with the Serbian Intellectual Property Office and any pending applications filed with these offices before May 28, 2008 are enforceable in Montenegro. Any IPR application submitted after that date in Serbia will have to be re-submitted in Montenegro within six months, to retain its acquired priority.

IPR market inspectors, police officers, customs officers, and employees of the Ministry of Economy have attended a number of training seminars on intellectual property protection and counterfeiting, including an IPR enforcement workshop hosted by the American Chamber of Commerce and its members. At the end of 2007, the Customs Administration signed a Letter of Intent for Acceptance of SECURE Standards (standards to be employed by customs for

uniform rights enforcement), adopted by the World Customs Organization (WCO) to promote the efficient protection of intellectual property rights by customs authorities.

Montenegro is not on the Special 301 Watch List. However, the sale of pirated optical media (DVDs, CDs, software) as well as counterfeit trademarked goods, particularly sneakers and clothing, is widespread. According to the latest survey of the International Data Corporation (IDC), the piracy rate in Montenegro, around 76 percent, is among the highest in Europe. Enforcement is slowly decreasing as customs, police, and judicial authorities obtain the necessary tools. However, institutional capacity and public awareness is still limited.

Resources for Rights Holders

Contact at the Mission in Montenegro:

Name: Vivek Joshi

Title: Pol/Econ Deputy Chief

Telephone number: +382 20 410 500

Email address: JoshiVV@State.gov

To further improve intellectual property protection, AmCham Montenegro established an IPR Committee in April 2009 and today it operates under the Grey Economy Committee. The main goal of the Committee is to work closely with Montenegrin institutions which deal with IPR, to increase public awareness of the importance of intellectual property protection, and to help the GoM strengthen its administrative capacities in this field. More information about their activities could be found at www.amcham.me.

Transparency of the Regulatory System

The Montenegrin Law on Foreign Investment is based on the national treatment principle, and all proposed laws and regulations are published in draft form and open for public comment, generally for a 30-day period.

Regulations are often applied inconsistently, particularly at the municipal level. Many regulations are in conflict with each other, or are ambiguous, creating confusion for investors. As noted in the American Chamber of Commerce's 2014 Business Climate Survey, many municipalities lack adequate Detailed Urban Plans, making construction permit procedures lengthy and complex. This is being addressed on a piecemeal basis by some municipalities, but investors still face significant challenges in dealing with inconsistent bureaucracy at both the local and national levels.

Foreign investors can establish a company and invest in it in the same manner and under the same conditions as domestic investors. The same regulations apply to both domestic and foreign investors, and there are no other regulations which might deprive a foreign investor of any rights or limit such rights. The Law of Foreign Investments is now fully harmonized with World Trade Organization rules.

On January 22, 2004, the Parliament of Montenegro established an Energy Regulatory Agency, which has authority over the electricity, gas, oil, and heating energy sectors. Its main tasks are the approval of pricing, development of a model for determining allowable business costs for energy sector entities, issuance of operating licenses for energy companies and for construction in the energy sector, and monitoring of public tenders. The energy law prescribes that in energy sectors monopolized by one participant, business costs will be set at levels approved by the Agency. In competitive sectors, the market will determine prices. The price of gasoline is set nationally every two weeks and is the same across all petrol stations.

The Agency for Electronic Communication and Postal Services was founded by the Montenegrin government in 2001. It is an independent regulatory body whose primary purpose is to design and implement a regulatory framework and encourage private investment in the sector.

Public procurement is conducted by the Public Procurement Directorate in the Ministry of Finance, and the State Commission for Control of Public Procurement Procedures in for rights protection. The Directorate started operations in June 2007 while the State Commission was established in 2011. The Law of Public Procurement entered into force in

2011. The Administrative Court oversees cases involving public procurement procedures.

While there is a full legal and regulatory infrastructure in place to conduct public procurement, U.S. companies have complained about irregularities in the procurement process at the national level, especially when challenging procurement decisions.

Efficient Capital Markets and Portfolio Investment

The banking sector in Montenegro is completely privatized. There are 14 banks operating in the country, all privately owned; two locally while the others are subsidiaries of international banks (including Austrian and Slovenian). It is expected that Azerbaijani Azmont Bank will start operations in Montenegro in 2016.

A new set of laws has been adopted and some of existing laws have been amended to improve regulation of the banking sector, to provide a higher level of depositor safety, and to increase trust in the banking sector itself. The Law on the Protection of Deposits has been adopted to bring local legislation protecting deposits up to European standards. In accordance with this law, a fund for protecting deposits has been established, which guarantees them up to 50,000 euros.

Beginning in March 2016, Montenegro issued bonds worth 300 million euros in the international capital market in cooperation with Citibank, Deutsche Bank, Societe Generale, and Erste Bank. The value of the issued bonds was 300 million euros, with an interest rate of 5.75 percent, due in 2021. These bonds provided the funds necessary to repay liabilities from bonds issued in 2011 that mature in 2016. In May 2014, Montenegro issued 280 million euros in bonds, which pay a 5.375 percent return and will mature in 2019. These bonds helped Montenegro raise 200 million euros in much-needed operating capital while extending and refinancing some of its older debt offerings. The Eurobond transactions achieved wider diversification among fund owners, including significant interest from U.S. fund managers.

Money and Banking System, Hostile Takeovers

Banking operations grew in 2015. Deposits and capital continued to grow, and there was a mild recovery of credit activity. The banking sector was solvent and liquid but still had a high share of non-performing loans (12.4 percent). The balance sum increased by 9.3 percent in 2015 to 3,477 million euros. A majority of bank assets are loans (65.2 percent), while the highest share of liabilities are deposits (75.5 percent). At the end of December, total bank loans equaled 2,386 million euros, an increase of 0.7 percent over last year. Banking credit capacity in 2015 increased by 20.1 percent to 962.7 million euros. Implementing the Law on Mutual Financial Restructuring of Debts should help to decrease the volume of non-performing loans.

Compared to last year, assets deposited in banks increased by 13.7 percent to 2,625 million euros. The most significant proportion of deposits came from individuals, which amounted to 1,439.8 million euros, or 54.9 percent of total deposits, and 8.1 percent growth from last year. Corporate deposits amounted to 921.5 million euros, or 35.1 percent of all deposits.

Montenegro is one of a few countries that does not belong to the Euro zone but uses the Euro as its official currency, without any formal agreement. Since its authority is limited in monetary policies, the Central Bank has focused on control of the banking system, and maintenance of the payment system. It acts as the state fiscal agent and monitors monetary policy.

The Central Bank also regulates the process of bank establishment. A bank is founded as a joint-stock company and acquires the status of a legal entity by registering in the court register. An application for registration in the court register must be submitted within 60 days of the date of the bank being licensed.

Competition from State-Owned Enterprises

The privatization process in Montenegro is in its final phase. The majority of companies that have yet to be privatized are of strategic importance to the Montenegrin economy in such fields as energy, transport, and tourism.

Further privatization of state-owned companies should contribute to better economic performance, increase the competitiveness of the country and enable the Government of Montenegro to generate higher revenues (while lowering its outlays), enhancing capital investments and reducing debts.

The Government of Montenegro is the main institution responsible for the privatization process. The Privatization and Capital Projects Council has been formed to manage, control, and implement the privatization process as well as to propose and coordinate all activities for capital projects application in Montenegro. The Prime Minister is the president of the Privatization and Capital Projects Council.

More information about the Council and the actual privatization plan is available on the Council's website: www.savjetzaprivatizaciju.me. Also, all state-owned enterprises have publicly available auditing accounts on the Montenegrin Securities Commission's website: www.scmn.me.

Montenegro is party to the Government Procurement Agreement (GPA) within the framework of the WTO.

OECD Guidelines on Corporate Governance of SOEs

Since the beginning of the privatization process in 1999, nearly 90 percent of Montenegrin companies have been privatized. The remaining state-owned companies include the Port of Bar, Montenegro Railways, Montenegro Airlines, airports, Plantaze Vineyards, and some tourism companies. These companies are all registered as joint-stock companies, with the Government of Montenegro appointing one or more representatives to each Board based on the ownership structure. All must provide an annual report to the government and are subject to independent audits. The Government of Montenegro has treated state-owned enterprises (SOE) as political prizes to be divvied up among political parties in the ruling coalition. SOE managers are often politicians or party activists appointed because of their political connections rather than their management skills or substantive expertise.

Sovereign Wealth Funds

There are no sovereign wealth funds in Montenegro.

Responsible Business Conduct

Responsible business conduct (RBC) practices in Montenegro are still developing. The Government of Montenegro is, together with different business organizations, NGOs, and the international community, organizing events in order to promote and encourage responsible business conduct. In line with the European integration process, the government is preparing a strategic document to promote RBC and find ways to encourage the business sector to significantly help the community, including civil society organizations and media.

A recent survey showed that large private companies and associations are more engaged in RBC activities, whereas small companies cited a lack of knowledge about RBC and a lack of support and interest from clients as the main reasons for not participating.

Political Violence

Montenegro is a mixed parliamentary and presidential country with a multiparty political system. The current government supports Montenegro's integration into the European Union and NATO. There is no sustained anti-American sentiment among the general public, despite some residual resentment stemming from the 1999 NATO campaign against the regime in the former state union of Serbia and Montenegro. Montenegro and the United States share most policy goals and cooperate productively in many areas. There is broad support for strengthening ties with the United States, especially in the economic and commercial spheres.

Corruption

Corruption and the perception of corruption are significant problems in Montenegro. Corruption routinely places high on the list of citizen concerns in opinion polls. Montenegro placed 61st in the Transparency International (TI) 2015 Corruption Perception Index list out of 176 countries.

A legal framework to help combat corruption and organized crime has been in force since the August 2006 adoption of the Law on Witness Protection. Montenegro has been a full member of the International Criminal Police Organization-Interpol since September 2006. In the past two years, the government has made some progress on combating official corruption through the adoption of important legislation on public procurement, the treasury and budget system, and the courts. Recently the former President of Serbia and Montenegro, and third-highest ranking ruling party official, was arrested on corruption charges as have a number of lesser officials. Nevertheless, there have historically been few high-profile corruption prosecutions. According to recently adopted Law on Courts, there will be one centralized Superior Court, a Special Department for Organized Crime, Corruption, War Crimes, Terrorism and Money Laundering, in the Podgorica Superior Court. The Criminal Procedure Code and Criminal Code allow for confiscation of assets. The Law on the Prevention of Corruption adopted in December 2014 and the recently amended Law on the Prevention of Conflict of Interest obligate government officials to report on their property holdings on a yearly basis.

The government encourages state institutions and the private sector to establish internal codes of conduct. They are encouraged to have Ethical Codes, and are obliged to have so-called Integrity Plans.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Montenegro is a signatory to the UN Anti-Corruption Convention. To date, no foreign firms have lodged complaints against the GoM under these agreements. A number of U.S. firms have specifically noted corruption as an obstacle to direct investment in Montenegro, and corruption is seen as one of the hurdles to doing business in the country. Corruption is most pervasive in the government procurement sector: the purchase and sale of government property takes place in a non-transparent environment with frequent allegations of bribery and cronyism.

Resources to Report Corruption

Contacts at government agency or agencies that are responsible for combating corruption:

Name: Milivoje Katnic
Title: Special Prosecutor for Fighting Organized Crime, Corruption, War Crimes and Terrorism
Organization: Office of the Chief State Prosecutor
Address: Slobode 20, 81000 Podgorica, Montenegro
Telephone number: +382 20 230 624
Email Address: vdtcg@tuzilastvo.me

MANS (Network for Affirmation of the NGO sector) is a non-governmental organization that fights against corruption and organized crime in Montenegro. They are engaged in investigating concrete cases of corruption and organized crime, monitoring the implementation of legislation and government policy, providing free legal aid to citizens, CSO-s, media and businesses, developing law, policy proposals and analysis, and conducting advocacy campaigns.

Name: Vanja Calovic
Title: Executive director
Organization: MANS (Network for Affirmation of NGO sector)
Address: Dalmatinska 188, 81000 Podgorica
Telephone number: +382 20 266 326
Email Address: vanja.calovic@mans.co.me or mans@t-com.me
Website: www.mans.co.me

Bilateral Investment Agreements

Bilateral Taxation Treaties

In December 2006, Montenegro signed the Central European Free Trade Agreement (CEFTA), intended to eliminate all custom restrictions for industrial and agricultural products in member states by 2010. The Parliament ratified CEFTA in 2007, and it took effect in Montenegro (and simultaneously in Albania, Macedonia, Moldova, and Kosovo). Bulgaria, the

Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia were already parties to the Agreement. Montenegro holds the CEFTA Presidency in 2016.

A Free Trade Agreement with the EFTA countries (Switzerland, Norway, Iceland, and Liechtenstein) was signed on November 14, 2011. The EFTA states are the world's 11th largest merchandise trader, as well as significant actors in services and foreign direct investment.

The United States does not have a Bilateral Investment Treaty (BIT) with Montenegro. It is possible that given the presence of U.S. investors, and Montenegro's interest, it could be a BIT candidate in the future.

The U.S. restored Normal Trade Relations (Most-Favored Nation status) to Montenegro in December 2003. This status provides improved access to U.S. markets for goods exported from Montenegro. The U.S. Government has approved Montenegro's request to be designated a beneficiary developing country under the U.S. Generalized System of Preferences (GSP) program, which provides duty-free access to the U.S. market in various eligible categories (jewelry, ores, stones, some agricultural products, etc.).

Other free trade agreements:

- **Free Trade Agreement with Russia.** A free trade agreement with Russia, concluded in August 2000, provided for the elimination of barriers of Montenegrin exports to Russia. The agreement stipulated that the importing country regulate the rules of origin, in accordance with WTO principles. The list of products not covered by the duty-free agreement is updated annually, and it currently includes poultry, sugar, chocolate, alcoholic beverages, soap, cotton, carpets, wooden furniture, household appliances, and motor vehicles. Also as a part of the negotiations with Russia there are negotiations on free trade agreements with Kazakhstan and Belarus, which formed a customs union together with Russia in 2010.
- **Preferential Trade Agreement with the European Union.** The EU has taken steps to stimulate the export of goods among countries in the region through the establishment of autonomous trade preferences (ATP), which provide duty-free entry for over 95 percent of goods. Exemptions include wine, meat, and steel. Products originating from Montenegro are generally admitted into the European Union without quantitative restrictions and are exempted from custom duties and charges. The products exempted from the free import regime are agricultural products, "baby beef" products, and textile products.
- **Free Trade Agreement with Turkey.** A free trade agreement between Montenegro and Turkey entered into force in 2010. The Turkey-Montenegro FTA eliminated tariff and non-tariff trade barriers between the countries. Also, the agreement regulates numerous other areas such as sanitary and phytosanitary measures, technical barriers to trade, intellectual property, rules of origin, internal taxation, anti-dumping and countervailing measures, safeguards, and balance of payments measures. While the list of industrial products covered is identical to that signed with the EU, the list of agricultural products is rather limited.

Bilateral Taxation Treaties

Montenegro has signed 42 treaties with various countries on income and property, which regulate double taxing. Currently 41 treaties are in force, while one (with India) is pending. In force are treaties with Albania, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Korea, Kuwait, Latvia, Macedonia, Malaysia, Moldova, Malta, Holland, Norway, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Sri Lanka, Sweden, Switzerland, Turkey, Ukraine, United Kingdom and United Arab Emirates. Montenegro does not have a double taxation treaty with the US.

In 2014, Montenegro and the U.S. Government concluded an agreement on the Foreign Account Tax Compliance Act (FATCA), which will help the countries better track and report tax evasion. The formal signing of the Act is expected in 2016.

OPIC and Other Investment Insurance Programs

Montenegro, through the State Union of Serbia and Montenegro, became eligible for OPIC programs in July 2001. OPIC activities in Montenegro include: insurance for investors against political risk, expropriation of assets, damages due to political violence and currency convertibility, and insurance coverage for certain contracting, exporting, licensing and leasing transactions. OPIC also established the Southeast Europe Equity Investment Fund that is managed by Soros Management. For more information, please see: <http://www.opic.gov>.

Montenegro became a member of the World Bank Group in January 2007 by signing its Articles of Agreement of the International Bank for Reconstruction and Development (IBRD). Montenegro is a member of the IBRD and has also joined the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).

EBRD has an office in Montenegro and supports approximately 53 development projects with a total investment of 532 million euros. For more information please see: <http://www.ebrd.com/montenegro-country.html>.

Labor

Montenegro's total labor force is comprised of approximately 250,000 people. According to data provided by the state statistics agency, MONSTAT, the 2015 unemployment rate was 18 percent. The average monthly salary was 489 euros. Foreign investors, including AmCham members, cite the lack of a highly skilled labor pool as one of the challenges facing Montenegro, along with a bloated public sector workforce of 60,000 people (35 percent of the labor force).

Over the past few years, employment in private companies has increased, and total employment in the public sector (including state-owned companies) has decreased. Major sectors generating employment in Montenegro are tourism, ports and shipping, and manufacturing.

The Government of Montenegro is working to bring the country's labor market legislative framework into accordance with EU standards. The Labor Law defines a single collective agreement for both public and private sectors, maintains the existing level of severance payments, and retains the current 365 days of maternity leave. The current Labor Law, from the employers' perspective, is not precisely defined in all provisions, which makes it more difficult for employers to do business in Montenegro. In order to create a better business environment, employers expect the new Labor Law, which is pending adoption, to provide clearer and better labor regulation. Montenegrin business associations, led by AmCham, signed a Memorandum of Understanding in November 2014 to work together to revise the Labor Law.

Substantial amendments to existing legislation and timely adoption of the necessary by-laws are needed to align legislation on workplace health and safety more closely with the EU. The administrative capacity of the Ministry of Labor and its inspection department is not yet strong enough, and the establishment of workplace safety agency needs to be prioritized.

The Law on the Peaceful Resolution of Labor Disputes was adopted in December 2007. It introduces out-of-court settlement for labor disputes.

The Law on the Employment of Nonresidents took effect on January 1, 2009 and mandates that the government set a quota for nonresident workers in the country. In 2016, the Government of Montenegro determined a foreign worker quota of 15,000 working permits and additional 3,000 for important capital projects. Procedures for hiring foreign workers have been simplified, and taxes for nonresident workers have been significantly decreased to help domestic companies that are having problems engaging domestic staff, particularly for temporary and seasonal work.

The Law on Foreigners in Montenegro came into force on April 1, 2015. In March 2016, the GoM adopted amendments suggested by AmCham Montenegro and several business organizations (Montenegrin Employers' Federation, Montenegrin Chamber of Economy, Montenegro Business Alliance, Montenegrin Foreign Investors Council) to improve

and liberalize Montenegrin business regulations. As a result of the changes, businesses no longer need to provide official proof that a Montenegrin is available for a particular job before hiring a foreigner.

To improve the current pension system, changes to the Law on Pensions and Care of Invalids which among other things increased the age of retirement to 67 years (for both men and women) will be fully implemented by 2042.

The Confederation of Trade Unions of Montenegro (SSCG) is the successor to the former socialist trade union and also inherited the property, organizational structure, and rights to participate in tripartite bodies on the national level. As of 2008, a new confederation, the Union of Free Trade Unions of Montenegro (USSCG), split away from SSCG and has since been campaigning for inclusion in social dialogue on the national level.

All international labor rights are recognized in Montenegro such as freedom of association, the elimination of forced labor, child labor employment discrimination, minimum wage, occupation safety and health as well as weekly working hours.

Foreign Trade Zones/Free Ports/Trade Facilitation

In June 2004, Montenegro adopted the Law on Free Zones, which offers businesses benefits and exemptions from custom duties, taxes, and other duties. The Port of Bar is currently the only free trade zone in Montenegro. Free Zone users qualify for benefits provided by the Law and other regulations. Benefits include: free import without customs duties, customs fees or VAT, storage incentives, a reduced corporate tax, and simplified processing procedures.

All regulations relating to free trade zones are in compliance with EU legal standards. Complete equality has been guaranteed to foreign investors in reference to ownership rights, economic activity in the zone, transfer of profits and deposits, and investment security.

Contact:

AD Luka Bar (Port of Bar Holding)

Obala 13. Julia bb

85000 Bar, Montenegro

Phone/Fax: +382 30 312 666

E - mail: lukabar@t-com.me

Web site: <http://www.lukabar.me/>

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2013	\$4,416	2014	\$4,588	www.worldbank.org/en/country

Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2013	\$1 million	2014	\$1 million	http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States (\$M USD, stock positions)	2013	n.a.	2014	n.a.	http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2013	n.a.	2014	n.a.	

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	4,844	100%	Total Outward	NA	100%
Russian Federation	645	13			
Italy	604	12			
Cyprus	455	9			
Denmark	403	8			
Hungary	283	6			
"0" reflects amounts rounded to +/- USD 500,000.					

Contact for More Information on the Investment Climate Statement

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 Telephone number: +382 20 410 507
 Email: joshivv@state.gov

Trade & Project Financing

Methods of Payment

Large importers regularly receive goods under short-term supplier credits that average about three months. Longer-term financing may be sought for larger purchases but is more difficult to obtain. The following instruments are used in Montenegro for payments abroad: remittances, documentary collections, checks, and letters of credit.

There are no commercial credit rating agencies operating in Montenegro.

Banking Systems

The banking sector in Montenegro is completely privatized. There are fourteen banks operating in the country, and all of them are in private ownership; two are locally owned while the others are subsidiaries of international banks (including Austrian and Slovenian). It is expected that Azerbaijani Azmont Bank will start operations in Montenegro in 2016.

A new set of laws has been adopted and some of existing laws were amended to improve regulation of the banking sector, to provide a higher level of depositor safety and to increase trust in the banking sector itself. The Law on the Protection of Deposits aligns local legislation for protecting deposits with European standards. In accordance with the law, a fund for protecting deposits has been established. Deposits are guaranteed up to 50,000 euros.

Beginning March 2016, Montenegro issued bonds worth €300 million in the international capital market in cooperation with Citibank, Deutsche Bank, Societe Generale and Erste Bank. The value of the issued bonds was €300 million, with an interest rate of 5.75 percent, due in 2021. The issue has provided the funds necessary to repay liabilities related to bonds issued in 2011 with a 7.25 percent coupon that mature in 2016. In May 2014, Montenegro issued 280 million euros in bonds, paying a 5.375 percent return. The bonds, which will mature in 2019, helped the country raise nearly 200 million euros in much-needed operating capital while extending and refinancing some of its older debt offerings. The Eurobond transactions achieved wider diversification among fund owners, including significant interest from U.S. fund managers.

Money and Banking System, Hostile Takeovers

Banking operations grew in 2015. Deposits and capital continued to grow, and there was a mild recovery of credit activity. The banking sector was solvent and liquid but still had a high share of non-performing loans (12.4 percent). The balance of deposits increased by 9.3 percent in 2015 to 3.5 million euros. A majority of bank assets are loans (65.2 percent), while the highest share of liabilities are deposits (75.5 percent). At the end of December, total bank loans equaled 2,386 million euros, an increase of 0.7 percent over last year. Banking credit capacity increased by 20.1 percent in 2015 to 962.7 million euros. Implementing the Law on Mutual Financial Restructuring of Debts should help to decrease the volume of non-performing loans.

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The Euro has been officially used in Montenegro since 2002. Montenegro is one of a few countries that does not belong to the Euro zone but uses the Euro as its official currency, without any formal agreement. Since its authority is limited in monetary policies, the Central Bank has focused on control of the banking system and maintenance of the payment system. It acts as the state fiscal agent and monitors monetary policy.

The Central Bank also regulates the process of bank establishment. A bank is founded as a joint-stock company and acquires the status of a legal entity by registering in the court register. An application for registration in the court register must be submitted within 60 days of the date of the bank being licensed.

During the last couple of years, Montenegro has experienced a stabilization of the banking sector and the gradual development of the capital market, thereby restoring consumer confidence in banks. Credit cards and bank cards are used in most shops and restaurants.

Foreign Exchange Controls

There are no currency or payment restrictions related to the use of the Euro in Montenegro.

US Banks & Local Correspondent Banks

There are no U.S. bank affiliates in Montenegro. Several banks in Montenegro (currently CKB, Erste Bank, NLB, Podgoricka Bank, Atlasmont Bank, Hipotekarna Bank and Hypo Alpe Adria Bank) have a correspondent relationship with U.S. banks. Citibank was one of three banks that underwrote Montenegro's first and second tranches of public debt financing through the issuance of 500 million euros in Euro bonds. U.S. investors subscribed to a large percent of these purchases.

Project Financing

European Bank for Reconstruction & Development (EBRD)

The EBRD opened an office in Montenegro in 2007. The EBRD, southeastern Europe's largest institutional financial investor, has been active in Montenegro as part of the former Union of Serbia and Montenegro since 2001, and following the country's independence on June 3, 2006, all EBRD shareholders accepted Montenegro as a shareholder and country of operations.

EBRD provides technical assistance and investment as the government continues implementing reforms to improve the country's business climate. EBRD's office also supports the development of the local private sector and the sustainable modernization of key infrastructure areas, such as energy, roads and railways, as well as municipal infrastructure.

EBRD office in Montenegro

Giulio Moreno, Head of Office

Moskovska 2b

Phone: +382 20 237 173

Fax: +382 20 237 195

Web site: www.ebrd.com/montenegro-country.html

Overseas Private Investment Corporation (OPIC)

OPIC is a financially self-sustaining U.S. government agency, which promotes growth in developing countries by encouraging U.S. private investment. OPIC's key programs are its loan guarantees, direct loans, and political risk insurance. Montenegro, through the State Union of Serbia and Montenegro, became eligible for OPIC programs in July 2001. OPIC also established the Southeast Europe Equity Investment Fund that is managed by Soros Management. This fund is capitalized at \$150 million. The fund has not concluded any deals in Montenegro so far.

OPIC

1100 New York Ave, N.W.

Washington, D.C. 20572

Tel: (202) 336-9700

Fax: (202) 408-5155

Web site: <http://www.opic.gov/>

Trade & Development Agency (TDA)

TDA is an independent U.S. government agency which promotes U.S. exports for major development projects. TDA funds feasibility studies, consultants, training programs and other project planning services related to U.S. exports. Contracts funded by TDA grants must be awarded to U.S. companies. U.S. involvement in project planning helps position potential U.S. suppliers at the project implementation stage.

In May 2006 TDA awarded a grant to the Ministry of Environmental and Physical Planning (now the Ministry of Sustainable Development and Tourism) for the creation of a revolving investment fund for water projects. The value of the grant was USD463,950. TDA has been active in Montenegro working on evaluations of potential projects in the energy, transportation, and telecommunications (IT) sectors.

TDA
Washington, D.C. 20523-1602
Tel: (703) 875-4357
Fax: (703) 875-4009
Web site: <http://www.tda.gov/>

Financing Web Resources

Central Bank of Montenegro	http://www.cb-cg.org
OPIC	http://www.opic.gov
Trade and Development Agency	http://www.tda.gov

Business Travel

Business Customs

After regaining its independence in 2006, the Government of Montenegro began a program of comprehensive economic reforms. Economic liberalization, privatization, legislative and fiscal reforms, along with various programs intended to develop small and medium enterprises, are transforming the former Yugoslav socialist Montenegrin economy into an entrepreneurial, market-oriented system. Changes in the existing economic structure and the adoption of international standards are essential as Montenegro's full integration into the modern economic system.

More than 20 crucial business laws have been adopted with the goal of removing barriers for doing business and attracting foreign investors; nevertheless, Montenegro retains some aspects of its bureaucratic, patronage-based system, which hinders its further development.

Business managers in Montenegro are generally familiar with Western-style market economic philosophy, customs, and business practices. Management is typically concentrated at the level of the managing director who is the key decision-maker in non-controversial processes; however, mid-level managers often do not feel empowered to take independent action on more controversial matters or where there are unclear lines of authority, or multiple stakeholders. Business relationships in Montenegro traditionally have been founded on prior experience, with significant time and energy invested in developing trust among the parties.

Travel Advisory

Please see Montenegro's Consular Specific Information, available at http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_2974.html

Visa Requirements

In accordance with the Decision on the Abolishment of Visas for Entry and Stay in Montenegro (02/2003), citizens of the following countries can enter and stay up to 90 days, with a valid passport: Germany, France, Italy, Netherlands, Belgium, Luxembourg, Great Britain, Ireland, Spain, Portugal, Greece, Denmark, Sweden, Finland, Austria, Switzerland, Norway, Iceland, Monaco, Liechtenstein, Vatican, Andorra, San Marino, Israel, Cyprus, Malta, Czech Republic, Slovakia, Poland, Slovenia, Lithuania, Latvia, Estonia, Croatia, United States of America, Canada, Singapore, Republic of Korea, Australia, and New Zealand.

Citizens of Albania and Ukraine may enter and stay on Montenegrin territory for tourist visits up to 30 days with a valid passport. Citizens of Serbia, Bosnia and Herzegovina, Slovenia, Kosovo and Macedonia may enter and stay up to 30 days on Montenegrin territory with a personal ID card, along with a tourist pass issued at border crossings.

Montenegro and Russia signed an agreement abolishing the visa regime between the two countries in September 2008.

According to the Ministry of Foreign Affairs, citizens of European Union member states can enter and stay in Montenegro with their identity cards.

Citizens of other countries need visas except in cases of special bilateral agreements regarding visas. However, according to previous announcements, it is possible to issue a visa or a tourist pass at Montenegrin border crossings, but only in cases of direct entrance onto Montenegrin territory.

The U.S. Embassy in Podgorica is able to process non-immigrant visas in its Consular Section. However, the post does not process immigrant visas. For citizens of Montenegro, immigrant visas are processed by the U.S. Embassy in Belgrade, Serbia.

More information available at http://podgorica.usembassy.gov/nonimmigrant_visas.html

Other useful links:

American Embassy Belgrade, Consular Section: <http://serbia.usembassy.gov/visas.html>

Currency

The Euro has been officially used in Montenegro since 2002. Montenegro is one of a few countries that do not belong to the Euro zone but use the Euro as its official currency without any formal agreement with the European Central Bank. Credit cards and bank cards are used in most shops and restaurants.

Telecommunications/Electric

The principal service providers in the Montenegrin telecommunications market are German-based T-Mobile subsidiary T-Com (a fixed line and GSM operator), Telenor (the first GSM mobile service provider in the country), and M-tel (the third mobile operator and fixed line operator). In 2008, the Government of Montenegro passed a Telecommunications Law to provide a clear regulatory framework for Montenegro's telecommunications sector. In accordance with the Telecommunications Law, the Agency for Electronic Communications and Postal Services was established in December 2008 as an independent regulatory agency for the telecommunications sector. This agency is responsible for promoting competition and access to networks, issuing licenses to operators, and regulating tariffs in accordance with the law.

The telecommunications sector in Montenegro is 100 percent privately owned. In 2005, Magyar Telekom, a subsidiary of Deutsche Telekom, acquired 76.53 percent of T-Com Montenegro, becoming its majority owner.

The total number of fixed telephone users in the country is around 154,448, while internet users number roughly 200,000. The three mobile operators' signals cover almost 99% of Montenegro's inhabited territory. At the end of 2015, mobile operators in Montenegro have around 1,007,890 users (Telenor 38.75 percent, T - Mobile 32.73percent, and M - tel 28.52 percent). The market penetration rate for mobile telephone users in Montenegro (number of cell phone users per one hundred inhabitants) reached 162.5 percent in 2015.

Montenegro's country code is + 382 and was assigned in 2006.

Transportation

Montenegro has two international airports with IATA Airport Codes: Podgorica Airport –TGD and Tivat Airport –TIV, which offer regular connections to Europe.

Podgorica Airport (IATA: TGD; ICAO: LYPG) is an international airport located in Golubovci, approximately eight miles (12 km) south of Podgorica. Podgorica Airport is the main aviation hub in Montenegro. It has eight departure and two arrival gates, and can handle up to one million passengers per year.

Given the country's small size, there are no regular passenger flights within Montenegro. Domestic flights have been reduced to charter flights and helicopter service.

There are daily scheduled flights to Belgrade, as well as to various European destinations. During the summer season, there are charter flights and air connections to various major destinations.

A number of low-cost airlines have launched operations in Montenegro, including RyanAir, EasyJet and WizzAir. Note: Some private jet services, as well as the Montenegrin charter airline, also use the Podgorica airport. There are no direct flights to the U.S., but connections through Central and Western Europe and Istanbul are plentiful.

Tivat Airport (IATA: TIV; ICAO: LYTV) is an international airport located two miles (four km) from the center of Tivat, Montenegro, on Kotor Bay. There are daily flights from Tivat to Belgrade throughout the year, while all other flights are heavily concentrated in the summer period. Tivat airport is mainly used by incoming charter flights to coastal resorts, as it is only seven kilometers from Kotor and 20 kilometers from Budva. The main passenger terminal underwent an extension and refurbishment in 2006 and the airport is expected to be expanded and equipped for night landings in the near future.

Montenegro can be entered by vehicle from a number of directions. The quality of the roads, however, varies. Most roads are two-lane roadways and are generally not up to European standards. In recent years, roads connecting Podgorica and coastal towns have improved significantly with the completion of the Sozina tunnel, which shortened the journey from Podgorica to Bar and made the trip safer.

The road north, from Podgorica to Kolasin through the Moraca Canyon to Serbia is considered one of the most dangerous roads in Europe, especially during the winter. Montenegro is currently planning major overhauls to its road and rail networks. In 2014, the Government of Montenegro selected two Chinese companies - China Communications Construction Company (CCCC) and China Road and Bridge Corporation (CRBC), which are sanctioned by the UN for public corruption -- to construct a 41 kilometer section of the national highway, which will connect Podgorica with the north of the country and the Serbian border. Its construction will cost around USD 1.1 billion. This section of the so-called Bar-Boljare highway is one of five total tranches that the government plans to tender over the coming years. In addition, the Government of Montenegro is planning to develop the Adriatic-Ionian Highway (the so-called "East-West" Corridor), which will include approximately 105 kilometers that will connect Croatia, Montenegro and Albania.

The Montenegrin part of the Belgrade-Bar railway is the backbone of the Montenegrin railway system. It opened in 1979, and, at the time, was a state-of-the art railway, with features such as the Mala Rijeka viaduct (the highest railway viaduct in the world) and the 6.2 kilometer long Sozina tunnel. About one-third of the Montenegrin portion of the railway is in tunnels or on the viaduct. The Podgorica–Niksic railway has been used for freight traffic, primarily bauxite from the Niksic mine to the Podgorica aluminum plant. Passenger traffic started in October 2012. The Podgorica-Shkoder (Albania) railway, which extends to Tirana, has been used exclusively for freight traffic. There have been long-standing plans to reconstruct the railway and re-introduce passenger traffic. The Montenegrin Railway Company is currently state-owned and is planned to be privatized in 2016.

Bar is the major seaport in Montenegro. It is capable of handling about five million tons of cargo, and is a port for ferries to Bari and Ancona, Italy. Kotor, Tivat, and Zelenika are smaller ports.

Montenegro's rivers are generally not navigable, except for tourist activities such as rafting on the Tara River.

Language

The predominant language in Montenegro is Montenegrin, a dialect of Serbo-Croatian. Fortunately, many business people speak foreign languages, mostly English and Italian, with some German and French. In the southern parts of Montenegro, close to the Albanian border and in a few northern cities close to the Kosovo border (Rozaje, Gusinje, Plav), many people are fluent in Albanian.

Health

Medical facilities are available but can be limited in terms of specific services. Several new private medical clinics have opened up in the last few years.

No specific immunization for travel is needed.

Fruits and vegetables are usually of good quality and precautions related to the washing of raw fresh fruits and vegetables are similar to those which would normally be practiced in the U.S.

In the case of an adult medical emergency, please go to the Clinical Center in Podgorica. The first private hospital (the Codra Hospital) opened in Montenegro in 2006. A significant number of private ambulances in different medical fields are operating in Montenegro. Users should expect to pay at the time of service.

Contact information:

Clinical Center of Montenegro

Address: Krusevac bb

Tel: +382 20 412 412

www.kccg.me

Codra Hospital

Address: Radosava Burica bb

Tel: +382 20 648 334

www.codrahospital.me

Local Time, Business Hours and Holidays

Local time is GMT+01:00 or generally 6 hours ahead of East Coast Time; usual business hours are from 08:00 to 16:00, Monday to Friday.

Holidays in 2016 (including U.S.)

<u>DATE</u>	<u>DAY</u>	<u>HOLIDAY</u>
Jan. 1	Friday	New Year's Day
Jan. 6	Wednesday	Orthodox Christmas Eve
Jan. 7	Thursday	Orthodox Christmas
Jan. 8	Friday	Orthodox Christmas
Jan. 18	Monday	Martin Luther King's Birthday
Feb. 15	Monday	President's Day
April 29	Friday	Orthodox Good Friday
May 2	Monday	Orthodox Easter Monday/May Day
May 3	Tuesday	May Day (Observed)
May 23	Monday	Independence Day (Observed)
May 30	Monday	Memorial Day
July 4	Monday	Independence Day

July 13	Wednesday	Statehood Day
July 14	Thursday	Statehood Day
Sept. 5	Monday	Labor Day
Oct. 10	Monday	Columbus Day
Nov. 11	Wednesday	Veterans Day
Nov. 24	Thursday	Thanksgiving Day
Dec. 26	Monday	Christmas Day (Observed)

The following holidays may also be observed by Montenegrin citizens who practice the following faiths:

December 25 Christmas (Catholic)
Easter (Catholic)
Ramadan Bairam (Muslim)
Yom Kippur (Jewish)
Rosh Hashanah (Jewish)

Temporary Entry of Materials or Personal Belongings

There are no restrictions or duties to be paid on the temporary entry of materials and personal belongings. However, items that are temporarily imported have to be reported to custom officials at the point of entry by filling out a designated form.

Travel Related Web Resources

<http://podgorica.usembassy.gov>
www.travel.state.gov
www.montenegroairports.com
www.kccg.me
www.codrahospital.me

Leading Sectors for US Exports & Investments

Energy

Overview

The energy system of Montenegro is small, with only 285,000 customers and a demand of around 3,500 gigawatt hours (GWh) annually.

Electricity production in Montenegro for 2015 was approximately 2,871 GWh.

The majority of electricity in Montenegro is produced at the Pljevlja coal-fired Thermo Power Plant, the Perucica Hydro Plant, and the Piva Hydro Plant.

The majority state-owned Electrical Power Company's (EPCG) core activity is electricity generation, transmission, distribution, and supply. The Government of Montenegro signed a strategic partnership with Italian company A2A after the company became owner of 41.7 percent of shares.

The Agreement of the Electro-Energetic Community for South Eastern Europe, signed by Montenegro, will open the energy market to competitors. Based on the agreement, as of January 1, 2008, signatory countries have free access to the energy market for all consumers, except for households, and on January 1, 2015, the market became fully open for competition.

Best Products and Services

Montenegro has the potential to develop hydro and thermal power plants, given the abundance of rivers and streams, as well as the potential for some new types of production such as solar and wind energy. Montenegro use around 20 percent of its hydro potential and consumes more energy than it produces; there are ample opportunities to develop new energy sources. To fully develop this sector, Montenegro will need a developed/upgraded transmission and distribution network.

The most important development project in the transmission system is the construction of a one-way underwater energy cable to export power to Italy. Construction of the cable has already begun on the Italian side, and so far 140 kilometers of the cable (approximately 1/3 of the total length) have been affixed to the bottom of the Adriatic Sea. According to an agreement signed in 2010, the cable, which will cost €775 million, will run for 390 kilometers under the Adriatic Sea with 25 kilometers along the shore. The underwater cable is expected to be completed by the end of 2017.

Opportunities

Basin of Maoce - The coal basin of Maoce is located in the northeastern part of Montenegro, 15 kilometers from the town of Pljevlja. The Government of Montenegro will award a concession for the exploitation of coal from the basin and the construction of a thermal power plant with an estimated capacity of 500 MW, based on current reserves of coal. Investors are expected to finance, open, exploit, and revitalize the adjacent coal mine, and to build and operate the Maoce Thermal Power Plant as a single business entity. The term of the concession contract is 45 years, with the possibility of an extension.

Investment in Oil and Gas – In late 2013, Montenegro invited international oil and gas companies to bid on licenses to explore its offshore coast, based on seismic data showing favorable conditions for hydrocarbon deposits off Montenegro's deep-water coast. The government has adopted a concession agreement with the Italian-Russian consortium Eni/Novatek for four blocks of exploration. During 2016, they will most likely sign one more agreement with Greek – British consortium Energean Oil/Mediterranean Oil & Gas for just one block. The exploration is expected to start in 2016 and several more licensing rounds for additional blocks will be completed by 2020.

According to the 2014 Montenegrin Energy Development Strategy, by 2030, it is estimated that up to 7 billion barrels of oil deposits in Montenegro and 425 billion cubic meters of natural gas deposits could be discovered along the coast. Further research regarding these resources is necessary to confirm the capacity levels. The search for oil and gas, along with the production cycle, consists of several phases: exploration, appraisal, development, production, and abandonment. Montenegro does not possess the necessary technology, nor does it have the experience, to produce oil or gas. Further, successful energy exploration must also factor in the environmental impact of operations, as coastal tourism comprises a significant percentage of national revenues.

Hydroelectric power plants on the Moraca River - The Government of Montenegro intends to develop the country's mostly untapped hydroelectric power potential through Public Private Partnerships. As a priority, the government wants to develop the Moraca River's potential through a series of four hydroelectric power plants for a total installed capacity of 238 MW and an annual production of 693 Giga-Watt hours (GWh). Extensive geotechnical and hydrological investigations have already been performed on the sites.

Komarnica – Investment is needed in two power generators of 168 MW, with a combined annual production of 232 GWh. The investment is worth about 180 million euros. Extensive geotechnical and hydrological investigations have already been performed on the sites.

Small hydropower plants in Montenegro: The Government of Montenegro plans to award concessions for the construction of small hydropower plants. The concessions are for the design, construction, exploitation, and maintenance of small hydropower plants on the following rivers: Bukovica, Bijela, Bistrica, Kraštica, Velička Rijeka,

Đurička, Kaludarska, and Vrbnica. The value of the investment is approximately 1,500,000 euro per MW of installed power. The duration of the concession is fixed for all water courses for 30 years.

Apart from the construction of small hydropower plants, the government hopes to develop renewable energy sources such as wind, biomass, and solar. Projects in the renewable energy sector include: the construction of 70 MW capacity wind power plants, the construction of 10 MW capacity solid waste incinerators for mixed municipal areas, the construction of photovoltaic power plants, and other forms of biomass. The Ministry of Sustainable Development and Tourism has issued a license for the development of wind power plants to Krnovo Green Energy (KGE) company. KGE is developing a wind power plant with a capacity of 72MWh in the region of Krnovo on the territories of three municipalities, Nikšić, Šavnik, and Plužine. The total investment is worth 120 million euros.

Web Resources:

MINISTRY OF ECONOMY

Mr. Vladimir Kavaric, Minister
81000 Podgorica, Rimski trg 46
Telephone: (+382 20) 482 163, 234 676; Fax: (+382 20) 234 027
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MINISTRY OF SUSTAINABLE DEVELOPMENT AND TOURISM

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ENERGY REGULATORY AGENCY

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Construction

Overview

Relatively stable economic conditions and new investments in construction have contributed to the expansion of the building materials market in Montenegro. In particular, Montenegro's housing market is experiencing rapid growth. Building materials is one of the fastest growing sectors of the country's economy.

Traditionally, Montenegrin buildings were constructed with un-reinforced brick covered with concrete stucco or, more recently, with steel-reinforced concrete with brick infill. Montenegrin buildings are energy inefficient, heavy, and take a long time to build. Wood and steel frame buildings are rare, though Montenegrin builders are starting to look at American-style platform-frame wood construction and pre-fabricated housing. Most building materials, such as glass, cement, paint and varnishes, are imported. Montenegro has no applicable standards or testing in the building sector.

Materials from well-known manufacturers that have certificates from the country of origin are accepted in the market based on technical merit.

Best Products and Services

The existing situation in the housing and urban market in Montenegro offers opportunities to promote high-tech American building materials based on advanced U.S. technology. Potential U.S. exports to this sector may include: wood and vinyl windows, doors, flooring, kitchen cabinets, suspended ceilings, insulation, adhesives, cements, roof shingles, heating and ventilation equipment, air conditioning, refrigeration and cooling systems, steel buildings and fabrications. Other potential products from the United States could include framing lumber, plywood, molding, solar panels and fiberboard. In addition, the Montenegro remodeling market may grow significantly over the long term, offering U.S. companies opportunities in this subsector.

Opportunities

Building and construction is one of Montenegro's growth sectors. It offers opportunities for U.S. companies in luxury properties, holiday real estate, administrative buildings, and trade outlets. The tourism sector also fuels market demands as Montenegro invests in Adriatic Sea summer resorts and mountain ski resorts.

Web Resources

MINISTRY OF MARITIME AFFAIRS AND TRANSPORTATION

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Medical Equipment

Overview

Montenegro's health care equipment market is dominated by imports due to limited domestic production. Exports to Montenegro mainly come from Germany, Italy, Austria, Switzerland, and the United States. The market has seen considerable growth over the last ten years, and there are prospects for increased potential in the next few years. The vast majority of equipment in public hospitals is outdated and expensive to maintain.

The Ministry of Health is the main actor in the Montenegrin medical equipment market. The Ministry develops health policy, proposes the health care budget and the investment program for the sector, and monitors the work of state-owned health institutions. Currently all procurements are tendered through the Ministry of Health.

Best Products and Services

U.S.-manufactured medical equipment enjoys an excellent reputation in Montenegro for its state-of-the-art technology, quality, and reliability. The best sales prospects for U.S. medical equipment are cardiovascular diagnostic equipment, non-invasive surgical devices, anesthesia and intensive care equipment, diagnostic imaging (CTs, MRIs), and radiation therapy equipment, as well as ultrasound equipment, urology equipment, laboratory and testing equipment, tissue and blood bank equipment, hospital care equipment, and hospital information systems.

Opportunities

There are good opportunities in the Montenegrin market for U.S. manufacturers of sophisticated diagnostic equipment such as electrocardiographs, endoscopes, and scanners. Several private clinics have opened in Montenegro as well, which will lead to wider opportunities for U.S. companies.

Web Resources:

MINISTRY OF HEALTH

Mr. Budimir Segrt, Minister

81000 Podgorica, Rimski trg 46

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Fund for Health Insurance

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Vaka Đurović b.b.

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Web site: www.rfzcg.co.me

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Travel and Tourism

Overview

Montenegro's 300 km - long coastline and the spectacular mountainous north drives the tourism sector, which accounts for up to 20 percent of GDP. Government sales of formerly state-owned land have spurred a wave of foreign investment in large-scale tourism and hospitality centers.

The market is focused on hotels and resorts along Montenegro's coast. Montenegro is working to develop a broader tourist industry based on its abundance of scenic beauty (rural tourism, cultural tourism, and ecotourism) and geographic diversity, including mountains, sea coast, and lakes. Price points tend to be higher here than in more developed holiday markets along the Mediterranean.

The government's decision to lower the VAT tax rate for lodging from a top rate of 19 to 7 percent should incentivize further development in the tourism sector in Montenegro, which will be necessary to provide better value for investments.

Montenegrin tourism representatives hope to shift a greater percentage of the tourist trade away from low-revenue package tours into more luxurious and upscale projects. Montenegro also plans to become a center for business and convention meetings.

Best Products and Services

U.S. companies that specialize in hotel management, theme park development, amusement games and attractions, golf course development, fast food establishments, sports and leisure facilities, casino management, and environmental control have excellent opportunities to develop stand-alone tourist facilities or to enhance existing properties.

The best market prospects are for tourism-related equipment, hotel furnishings, and IT equipment. Water sports, bird watching, horse-back riding, and fishing are ripe for development, as well as ports for yachts, beaches, and marinas. There are also business opportunities for U.S. construction companies, engineering firms, and architects, as modernization projects and/or the construction of new hotels begin.

Opportunities

HTP Ulcinjska rivijera AD Ulcinj: HTP Ulcinjska rivijera is a joint stock company; the State of Montenegro is the majority shareholder. The State of Montenegro with 63.5 percent of shares. After a bankruptcy and successful reorganization procedures, this restaurant and tourism company has a portfolio that includes the Olympic and Bellevue hotels, located in the Ulcinj Municipality near Velika Plaza (Long Beach). The preferred form of tourism development includes various models of a public-private partnership: long-term lease, concession, joint venture, etc.

NTC Marina Kotor: A concession agreement is being offered for financing, construction, and business utilization of a new port/marina with a capacity of 150 berths, together with the administrative buildings and accompanying facilities in the bayside community of Kotor.

Military tourism complex Mediteran: The military-tourism complex Mediteran in the northern resort town of Zabljak includes an area of 13,951 square meters. The complex consists of 20 buildings whose core purpose is tourism services, and is being offered for a long-term 60 year lease.

Military Tourism Complex Bigovo: Bigovo Valley is located in Traste Bay between Budva and Tivat, 20 kilometers from Tivat and its international airport. The complex comprises 43 buildings over 38,490 square meters, while a second plot amounts to 1,148 square meters, situated next to the 200 meter long shore of the Tourism Complex Bigovo-Traste-Kotor. A long-term 90 year lease is being offered.

Valdanos: Valdanos is located close to Ulcinj, southeast of Bar. It is one of the most beautiful locations along the Montenegrin coastline. This former military vacation camp, surrounded by olive trees, offers an unobstructed sea view with private access, a Mediterranean climate, and an average of over 240 sunny days annually. Airports are 68 km (Podgorica) and 86 km (Tivat) away. Valdanos Bay covers four square kilometers, which includes a 100 meter pebble beach and various low-rise camp and general public service facilities, i.e. tennis courts and parking areas. A conceptual framework would include a five-star resort, 100 square meters of green surface per room, luxury tourism accommodation with a maximum of four floors, and conservation of the local ecology. A long-term 30 year lease with a possibility for extension is being offered.

Ada Bojana: Ada Bojana Island is a nature reserve park with protected species that covers 5,200,000 square meters, with a coastline of around 3,500 meters. A long-term lease of state-owned land is being offered with an obligation to construct an exclusive tourism complex.

Velika plaza: Located between the town of Ulcinj and the Island of Ada Bojana, Velika Plaza ("Long Beach" – a 13 kilometer long sandy beach) represents the southern tip of Montenegro. It is 87 km from Tivat International Airport and 70 km from Podgorica's airport. Velika Plaza's complex includes 13,570,000 square meters of land, 9,030,000 square meters of which is State-owned. Plans for its gradual development include: (i) the development of a high-level tourist area; (ii) the construction of a small VIP airport; (iii) upgrading of telecommunications, efficient energy and water supplies; and coastal area protection (allowing for up to 100 square meters of green surface per room in order to provide deluxe tourist accommodation). A long-term lease of state land is being offered. Most development in Ulcinj's coastal areas is subject to the authority of the Government agency "Morsko Dobro" and has certain restrictions on the type and scale of tourism projects. While the agency has jurisdiction for all coastal area developments, the percentage of land covered in the Ulcinj municipality is far greater than in other seaside communities.

Ostrvo Cvijeca: The Island of Flowers is a small oval-shaped island, around 300 meters long and 200 meters wide, with 1,200 square meters of numerous small sandy beaches. This attractive location on the Montenegrin coast, close to Tivat, had until recently been used as a military holiday resort. With its pristine environment, this location offers great opportunities for the development of exclusive tourism. A long-term lease is being offered with an obligation to construct an exclusive hotel complex.

Skadar Lake: The tourist complex Eco-lodge (tourism, sport, and recreation) is located at the southern side of the Vranjina peninsula. There is also a plan for an info stand and souvenir shop, a health food restaurant supplied by local

residents, a small conference hall of 40–50 seats, a wellness center and spa zone next to the beach, a beach with coffee bar, a bicycle track from Vranjina to Monastery St. Nikola, etc. A public–private partnership will be offered.

Bjelasica–Komovi: This area covers 850 square kilometers or over 8 percent of the territory of Montenegro; it encompasses parts of the Andrijevisa, Berane, Bijelo Polje, Kolašin, Mojkovac and Podgorica Municipalities. The development plan proposes the construction of eight mountain retreats in the following areas: mountain centers Zarski, Cmiljace, Torine, Kolasin 1450, Kolasin 1600, Jelovica (including a golf course), Komovi, and Eco Adventure Park Komovi. The plan also includes the revitalization of shepherd’s cottages, eco and ethno villages, shepherds’ cottages, agricultural farms, etc. The government plans to offer it on a long–term lease basis.

Web Resources:

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